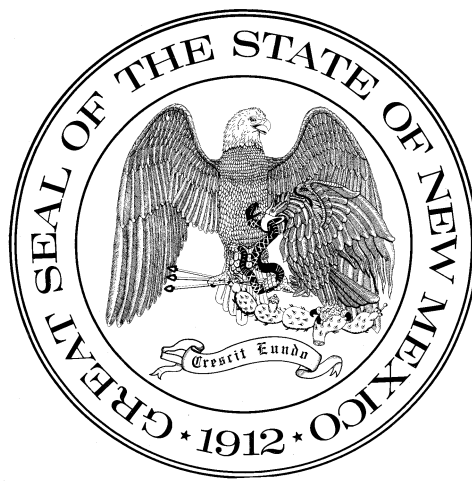


# **Economic and Rural Development Committee**

## **2013 INTERIM REPORT**



**New Mexico State Legislature**  
*Legislative Council Service*  
*411 State Capitol*  
*Santa Fe, New Mexico*

**January 2014**  
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**ECONOMIC AND RURAL DEVELOPMENT COMMITTEE  
2013 INTERIM FINAL REPORT**

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# **Interim Summary**

## **ECONOMIC AND RURAL DEVELOPMENT COMMITTEE 2013 INTERIM SUMMARY**

During the 2013 legislative interim, the Economic and Rural Development Committee (ERDC) met six times in communities throughout the state. Meetings were held in Santa Fe, Farmington, Truth or Consequences, Ruidoso and the Pueblo of Santa Clara. The committee focused its interim work on addressing issues that directly affect the state's economy and growth, including the state's work force, the health of small businesses and farms and programs and industries that serve the elderly and tribal and rural communities. Additionally, the committee received presentations on various economic development tools and strategies that could be used to help strengthen the state's business environment.

Throughout the interim, the ERDC heard presentations from the several executive agencies that focus on economic development-related issues. Secretary of Economic Development Jon Barela described the successes of the Job Training Incentive Program and the MainStreet program and suggested that the state would benefit from development of a deal-closing fund to encourage companies to set up in or relocate to New Mexico. Representatives from the Tourism Department provided updates on the department's widespread tourism marketing campaign, "New Mexico True". Nick Maniatis, director of the New Mexico Film Office, informed the committee of the many past, current and future film and television projects in the state.

Several community members and organizations made presentations to the committee about the importance of supporting the state's business incubators, which aim to grow local businesses. Representatives of the business incubation industry stressed the important role of incubators in creating long-term job and business ownership opportunities for New Mexicans.

The ERDC received several presentations on the shortage of dental health care providers, especially in the most rural parts of the state. The committee and interested parties discussed several potential solutions to the shortage, including establishing a dental school, supporting dental health coordinator programs, establishing dental therapist programs and providing additional funding for New Mexico students wishing to study dentistry at out-of-state schools.

Economic development through the development of natural resources was also addressed by the ERDC during the interim. The committee heard presentations from many interested parties, including tribes and pueblos; environmental groups; and oil, gas and uranium industry representatives. The committee was provided with extensive information about the industries' job-creation possibilities as well as the significant impacts on tribal communities and the environment that result from the development of natural resources.

The committee considered four pieces of legislation for endorsement and chose to endorse three bills, including appropriations to support a food kitchen incubation program, the Pueblo of Santa Clara's adult daycare center and students studying dentistry through the Western Interstate Commission for Higher Education program.

# **Approved Work Plan and Meeting Schedule**

**2013 APPROVED  
WORK PLAN AND MEETING SCHEDULE  
for the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**Members**

Sen. Howie C. Morales, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Sen. Jacob R. Candelaria  
Rep. Ernest H. Chavez  
Rep. George Dodge, Jr.  
Rep. Nora Espinoza  
Rep. Mary Helen Garcia

Sen. Phil A. Griego  
Sen. Ron Griggs  
Rep. Dianne Miller Hamilton  
Rep. Yvette Herrell  
Sen. Richard C. Martinez  
Sen. Michael Padilla  
Sen. Pat Woods

**Advisory Members**

Sen. Craig W. Brandt  
Rep. Zachary J. Cook  
Sen. Lee S. Cotter  
Rep. Nate Gentry  
Rep. Sandra D. Jeff  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. Georgene Louis  
Rep. Patricia A. Lundstrom  
Rep. James Roger Madalena

Sen. Mark Moores  
Sen. Mary Kay Papen  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. Patricia Roybal Caballero  
Rep. Nick L. Salazar  
Rep. James E. Smith  
Rep. Thomas C. Taylor  
Rep. Monica Youngblood

**Work Plan**

The Economic and Rural Development Committee (ERDC) was created by the New Mexico Legislative Council on April 30, 2013.

Economic and rural development in New Mexico continues to be a significant area of concern and focus for the state. During the 2013 interim and as time permits, the ERDC proposes to receive presentations on the following:

- (1) current programs, including the Frontier Communities Initiative, legislative priorities and proposed legislation of the Economic Development Department;
- (2) the Economic Development Department's report on tax credits and other incentives offered by the state and the relationship between those incentives and job creation in the state;
- (3) current programs, including "New Mexico True", legislative priorities and proposed legislation of the Tourism Department;

(4) the Taxation and Revenue Department's report on the impact of 2013 legislation on economic development and employment in the state and the effects of the passage of House Bill 641 in the 2013 session;

(5) the Alcohol and Gaming Division of the Regulation and Licensing Department's procedures related to liquor licensing, the impact of those procedures on businesses and economic development and any necessary policy revisions;

(6) the Workforce Solutions Department's, Legislative Finance Committee's and industry representatives' reports on growing industries, including nuclear energy and waste, renewable energy, health care and home-based work, that could create jobs in New Mexico;

(7) a report by the New Mexico Film Division of the Economic Development Department on recent legislation affecting the film industry and updates from the division;

(8) a report by the Construction Industries Division of the Regulation and Licensing Department on 2013 legislation related to construction inspectors and code compliance measures; and how changes in the law are being implemented by the division;

(9) the disparity between the number of health care jobs in New Mexico and the number of qualified health care workers entering New Mexico's work force each year; and any necessary policy revisions to reduce this disparity and to encourage employment of New Mexicans in health care positions;

(10) oral health care needs in rural areas and dental therapist legislation;

(11) employment, fair wages and high rates of unemployment and poverty in New Mexico; and possible policy changes;

(12) New Mexico Partnership's report on businesses looking to move to or expand in New Mexico;

(13) the activities and recent initiatives of Spaceport America;

(14) individual development accounts and possible related legislation to be proposed;

(15) the programs of the New Mexico Aviation Aerospace Association, including the Education Alliance;

(16) economic development issues and obstacles faced by rural communities and Indian tribes, nations and pueblos within New Mexico;

(17) the role of institutions of higher education and STEM (science, technology,

engineering and math) schools in producing a skilled New Mexico work force; and policy changes to increase education, training and, ultimately, employment in the state;

(18) the impact of oil and gas ordinances and regulations on the state's revenues;

(19) agriculture and value-added agriculture and the Economic Development Department's, New Mexico State University's and industry representatives' reports on their contribution to and potential growth of the state's economy;

(20) the relationship between farming and health and economic development; and connecting farmers with schools, institutions and other buyers;

(21) mining activity in New Mexico, including copper and the proposed Roca Honda uranium mine; and issues related to mining, including job creation and environmental impact;

(22) the economic gardening model, focusing on the role of entrepreneurs in growing economies; and the status of current economic gardening initiatives in New Mexico;

(23) activities and businesses of the New Mexico Borderplex and New Mexico's success through the Borderplex in the international economic market;

(24) the development of designated areas within Albuquerque, including the Route 66 corridor;

(25) broadband telecommunications availability and its relationship to economic and rural development; and activities and progress of the New Mexico Broadband Working Group;

(26) the Research and Development Small Business Tax Credit Act and the activities of the New Mexico small business assistance program;

(27) public-private partnerships, 2013 legislation and proposed legislation for 2014; and

(28) renewable energy industries in New Mexico, including wind, geothermal and solar resources, and their roles in New Mexico's economy and development.



**Economic and Rural Development Committee  
2013 Approved Meeting Schedule**

<u>Date</u>	<u>Location</u>
June 4	Santa Fe
July 8-9	Farmington
August 5-6	Truth or Consequences
September 12-13	Ruidoso
October 10-11	Pueblo of Santa Clara
December 4	Santa Fe

# AGENDAS

Revised: June 4, 2013

**TENTATIVE AGENDA  
for the  
FIRST MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**June 4, 2013  
Room 322, State Capitol  
Santa Fe**

**Tuesday, June 4**

- 10:00 a.m.           **Call to Order**
- 10:05 a.m.    (1)    [Interim Committee Procedures](#)  
                              —Raúl E. Burciaga, Director, Legislative Council Service (LCS)
- 10:15 a.m.    (2)    [Programs and Legislative Priorities of the Economic Development Department](#)  
                              —Jon Barela, Secretary, Economic Development Department
- 11:15 a.m.    (3)    [New Mexico True, Initiatives, Legislative Priorities of the Tourism Department](#)  
                              —Jordan Guenther, Digital Media Director, Tourism Department  
                              —Lancing Adams, Financial Manager and Legislative Liaison, Tourism Department
- 12:15 p.m.           **Lunch**
- 1:30 p.m.    (4)    [Business Development — Business Incubators](#)  
                              —Marie Longserre, President and Chief Executive Officer, Santa Fe Business Incubator
- 2:30 p.m.    (5)    [2013 Legislation — Summary](#)  
                              —Monica Ewing, Staff Attorney, LCS  
                              —Abby Wolberg, Law Student Intern, LCS
- 3:00 p.m.    (6)    [Committee Work Plan and Meeting Schedule](#)  
                              —Monica Ewing, Staff Attorney, LCS
- 3:30 p.m.           **Adjourn**

Revised: June 28, 2013

**TENTATIVE AGENDA  
for the  
SECOND MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**July 8-9, 2013  
San Juan College, Zia Room  
Farmington**

**Monday, July 8**

- 10:00 a.m.      **Call to Order**
- 10:05 a.m.      **Welcoming Remarks, Approval of Minutes**  
—Dr. Toni Hopper Pendergrass, President, San Juan College  
—Scott Eckstein, Chair, San Juan County Commission
- 10:15 a.m.      (1)    **2013 Legislation Update: House Bill 641 and Economic Development-Related Tax Bills**  
—John Tysseling, Chief Economist, Taxation and Revenue Department
- 11:15 a.m.      (2)    **New Mexico Small Business Assistance (NMSBA) Program: 2013 Update**  
—Belinda Snyder, Economic Development Program Manager, Los Alamos National Laboratory  
—Genaro Montoya, NMSBA Program Manager, Sandia National Laboratories
- 12:00 noon      **Lunch**
- 1:15 p.m.      (3)    **Economic Development in Rural and Tribal Communities**  
—Terry Brunner, State Director, Rural Development, United States Department of Agriculture  
—Jeff Kiely, Executive Director, Northwest New Mexico Council of Governments
- 2:15 p.m.      (4)    **Uranium Mining in New Mexico: Roca Honda Mine**  
—John DeJoia, Senior Vice President, New Mexico Operations, Roca Honda Resources  
—Fernando Martinez, Director, Mining and Minerals Division, Energy, Minerals and Natural Resources Department

- 3:00 p.m. (5) [Uranium Mining in New Mexico: Tribal Perspectives](#)  
—Rex Lee Jim, Vice President, Navajo Nation (invited)  
—Gregg Shutiva, Governor, Pueblo of Acoma  
—Richard B. Luarkie, Governor, Pueblo of Laguna  
—Gerald Hooee, Sr., Councilman, Pueblo of Zuni
- 4:15 p.m. (6) [Uranium Mining in New Mexico: Environmental Concerns](#)  
—Nadine Padilla, Coordinator, Multicultural Alliance for a Safe Environment  
—Eric Jantz, Staff Attorney, New Mexico Environmental Law Center

5:00 p.m. **Recess**

**Tuesday, July 9**

- 9:00 a.m. **Reconvene**
- 9:05 a.m. **Welcoming Remarks**  
—Tommy Roberts, Mayor, City of Farmington
- 9:10 a.m. (7) [Community Dental Health Coordinator Programs and Oral Health Care in Rural New Mexico](#)  
—Lori Wood, R.D.H., C.D.H.C., Hidalgo Medical Services  
—Carmen Maynes, Community Organization and Development Director, Hidalgo Medical Services  
—Julius N. Manz, D.D.S., New Mexico Dental Association  
—Thomas J. Schripsema, D.D.S., New Mexico Dental Association
- 10:30 a.m. (8) [San Juan College Center for Workforce Training](#)  
—Nancy L. Sisson, Workforce Development Coordinator, Center for Workforce Training
- 11:15 a.m. **Working Lunch (Lunch Provided for Legislators)**
- 11:45 a.m. (9) [Oil and Gas: Economic Development, Legislation and the Environment](#)  
—Jason Sandel, Executive Vice President, Aztec Well Companies  
—Kent Cravens, Director, Governmental Affairs, New Mexico Oil and Gas Association  
—Tannis Fox, Assistant Attorney General, Attorney General's Office  
—Eric Jantz, Staff Attorney, New Mexico Environmental Law Center
- 1:30 p.m. **Adjourn**

Revised: July 29, 2013

**TENTATIVE AGENDA  
for the  
THIRD MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**August 5-6, 2013  
Turtleback Mountain Resort  
Elephant Butte**

**Monday, August 5**

- 9:30 a.m.           **Call to Order**  
                          —Senator Howie C. Morales, Chair
- 9:35 a.m.           **Welcoming Remarks, Approval of Minutes (June 4 and July 8-9 Meetings)**  
                          —R. Eunice Kent, Mayor, Elephant Butte (invited)  
                          —Sandra Whitehead, Mayor Pro Tem, Truth or Consequences (invited)
- 9:45 a.m.           (1)   **[New Mexico Borderplex: Economic Development and Challenges to Development](#)**  
                          —Davin Lopez, President and Chief Executive Officer, Mesilla Valley Economic Development Alliance
- 10:45 a.m.           (2)   **[Economic Gardening: An Approach to Economic Growth](#)**  
                          —Dr. Beverlee J. McClure, President and Chief Executive Officer, Association of Commerce and Industry  
                          —Holly Bradshaw Eakes, Finance New Mexico
- 11:45 a.m.           **Working Lunch (Provided for Legislators)**
- 12:30 p.m.           (3)   **[Spaceport America Tour](#)\*\*\***  
                          —Christine Anderson, Executive Director, Spaceport America
- 4:30 p.m.           **Recess**

\*\*\* For security reasons, Spaceport America will provide an invitation-only tour for legislators and legislative staff. No committee or legislative business will take place during the tour.

**Tuesday, August 6**

- 9:30 a.m.           **Call to Order**  
                          —Senator Howie C. Morales, Chair
- 9:35 a.m.       (4)   **Economic Strategies for New Mexico**  
                          —Dr. James Peach, Economics, Applied Statistics and International  
                              Business Department, New Mexico State University
- 10:45 a.m.       (5)   **Venture Space Small Business Incubator — University of New Mexico**  
                          —Dr. Chris Hall, Department Chair, Mechanical Engineering, University of  
                              New Mexico (invited)
- 11:45 a.m.           **Working Lunch (Provided for Legislators)**
- 12:00 noon       (6)   **MainStreet Communities in New Mexico**  
                          —Rich Williams, New Mexico MainStreet Director  
                          —Linda DeMarino, President, Truth or Consequences MainStreet  
                          —Carrie D. La Tour, Chair, New Mexico Coalition of MainStreet  
                              Communities
- 12:45 p.m.           **Adjourn**

Revised: September 4, 2013

**TENTATIVE AGENDA  
for the  
FOURTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**September 12-13, 2013  
Cope Center, Hubbard Museum of the American West  
Ruidoso Downs**

**Thursday, September 12**

- 9:30 a.m.           **Call to Order**  
                          —Senator Howie C. Morales, Chair
- 9:35 a.m.           **Welcoming Remarks; Approval of Minutes**  
                          —Gary L. Williams, Mayor, Ruidoso Downs  
                          —Gus Raymond Alborn, Mayor, Ruidoso (invited)  
                          —Clayton Alred, President, Eastern New Mexico University-Ruidoso
- 10:00 a.m.       (1)   **New Mexico's Economic Development Strategy: The Jobs Council**  
                          —Mark Lautman, Director, Lautman Economic Architecture, LLC;  
                              Consultant to Jobs Council
- 11:30 a.m.           **Working Lunch (Lunch Provided for Legislators)**
- 12:00 noon       (2)   **New Mexico's Economic Development Strategy: New Mexico Association of Regional Councils**  
                          —Hubert Quintana, President, New Mexico Association of Regional Councils  
                          —Priscilla Lucero, Executive Director, Southwest New Mexico Council of Governments  
                          —Jeff Kiely, Executive Director, Northwest New Mexico Council of Governments
- 1:30 p.m.       (3)   **New Mexico's Economic Development Strategy: Economic Development Department**  
                          —Jon Barela, Secretary, Economic Development Department



- 3:00 p.m. (4) [\*\*Renewable Energy Transmission: The SunZia Project\*\*](#)  
—David Getts, General Manager, SouthWestern Power Group
- 4:00 p.m. (5) [\*\*Value-Added Agriculture and Economic Development in New Mexico\*\*](#)  
—Anthony J. Parra, Deputy Director/Secretary, New Mexico Department of Agriculture  
—David Lucero, Marketing and Development Division Director, New Mexico Department of Agriculture
- 5:00 p.m. **Recess**

**Friday, September 13**

- 9:00 a.m. **Call to Order**  
—Senator Howie C. Morales, Chair
- 9:05 a.m. (6) [\*\*Local Agriculture and Community Economic Development\*\*](#)  
—Pamela Roy, Executive Director, Farm to Table New Mexico
- 10:00 a.m. (7) [\*\*Broadband Availability in New Mexico\*\*](#)  
—Gar Clarke, Manager, New Mexico Broadband Working Group
- 11:00 a.m. (8) [\*\*New Mexico Aviation Aerospace Association and the Education Alliance\*\*](#)  
—Bill McMillan, President, New Mexico Aviation Aerospace Association
- 12:00 noon **Adjourn**

Revised: October 9, 2013

**TENTATIVE AGENDA  
for the  
FIFTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**October 10-11, 2013  
Santa Claran Hotel  
460 N. Riverside Dr.  
Española, New Mexico**

**Thursday, October 10**

- 8:30 a.m.           **Call to Order; Approval of Minutes**  
                          —Senator Howie C. Morales, Chair
- 8:35 a.m.       (1)    [Welcoming Remarks; Invocation; Pueblo of Santa Clara Update](#)  
                          —J. Bruce Tafoya, Governor, Pueblo of Santa Clara
- 10:00 a.m.       (2)    [The Health and Welfare of New Mexico's Children](#)  
                          —James Jimenez, Director of Policy, Research and Advocacy Integration,  
                              New Mexico Voices for Children
- 11:00 a.m.       (3)    [Dental Health in New Mexico: Dental Therapist Legislation](#)  
                          —Pamela Blackwell, Project Director, Oral Health Access, Health Action  
                              New Mexico
- 12:00 noon           **Lunch**
- 1:00 p.m.       (4)    [The Patient Protection and Affordable Care Act \(PPACA\) and  
Maternal Health Care in New Mexico](#)  
                          —Lee Reynis, Ph.D., Director, Bureau of Business and Economic Research,  
                              University of New Mexico
- 2:00 p.m.       (5)    [Native Americans Navigating the New Mexico Health Insurance  
Exchange](#)  
                          —Roxane Spruce-Bly, Native American Professional Parent Resources  
                              (NAPPR)  
                          —Jane Larson, Executive Director, NAPPR
- 3:00 p.m.       (6)    [PPACA: Impacts on New Mexico's Economy](#)  
                          —Greg Geisler, Analyst, Legislative Finance Committee

4:00 p.m.        (7)    **[Liquor Control Act Task Force Update](#)**  
—Jennifer Anderson, Director, Alcohol and Gaming Division, Regulation  
and Licensing Department

5:00 p.m.        **Recess**

**Friday, October 11**

9:00 a.m.        **Call to Order**  
—Senator Howie C. Morales, Chair

9:05 a.m.        (8)    **[Economic Development and Deal Closing Funds](#)**  
—Gary Tonjes, President, Albuquerque Economic Development

10:00 a.m.        (9)    **[PPACA: Impacts on Higher Education in New Mexico](#)**  
—Dr. José Z. Garcia, Secretary, Higher Education Department

11:00 a.m.        (10) **[PPACA: Impacts on New Mexico's Work Force](#)**  
—Joy Forehand, Deputy Secretary, Workforce Solutions Department  
(invited)

12:00 noon       **Working Lunch (Lunch Provided for Legislators)**

12:15 p.m.        (11) **[Committee-Endorsed Legislation — Discussion](#)**

1:15 p.m.        **Adjourn**

Revised: November 26, 2013

**TENTATIVE AGENDA  
for the  
SIXTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**December 4, 2013  
Room 322, State Capitol  
Santa Fe**

**Wednesday, December 4**

- 9:30 a.m.           **Call to Order; Approval of Minutes**  
                          —Senator Howie C. Morales, Chair
- 9:45 a.m.       (1)   **Liquor Licensing Laws and Economic Development in Rural New Mexico**  
                          —John Mulcahy, Board Member, Sierra County Economic Development Organization
- 10:15 a.m.       (2)   **New Mexico Film Office Update**  
                          —Nick Maniatis, Director, New Mexico Film Office
- 10:45 a.m.       (3)   **Senate Memorial 40 (2013) Task Force on Real Estate Contracts Report**  
                          —Craig Acorn, Of Counsel, Colonias Development Council
- 11:30 a.m.       (4)   **Committee-Endorsed Legislation Discussion**
- **Pueblo of Santa Clara Adult Daycare Center**  
      —J. Bruce Tafoya, Governor, Pueblo of Santa Clara
  - **Food Entrepreneur/Food Infrastructure**  
      —Tim Nisly, Chief Operating Officer, Rio Grande Community Development Corporation  
      —Tony Gallegos, Chief Executive Officer, Rio Grande Community Development Corporation
  - **Western Interstate Commission for Higher Education**
  - **Nonprofit Work Group**
- 1:00 p.m.           **Adjourn**

# MINUTES

**MINUTES  
of the  
FIRST MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**June 4, 2013  
Room 322, State Capitol**

The first meeting of the Economic and Rural Development Committee (ERDC) for the 2013 interim was called to order by Senator Howie C. Morales, chair, on Tuesday, June 4, 2013, at 10:07 a.m. in Room 322 of the State Capitol in Santa Fe.

**Present**

Sen. Howie C. Morales, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Sen. Jacob R. Candelaria  
Rep. Ernest H. Chavez  
Rep. George Dodge, Jr.  
Rep. Mary Helen Garcia  
Sen. Phil A. Griego  
Sen. Ron Griggs  
Rep. Dianne Miller Hamilton  
Rep. Yvette Herrell  
Sen. Richard C. Martinez  
Sen. Michael Padilla  
Sen. Pat Woods

**Absent**

Rep. Nora Espinoza

**Advisory Members**

Sen. Craig W. Brandt  
Sen. Lee S. Cotter  
Rep. Sandra D. Jeff  
Rep. Georgene Louis  
Rep. Patricia A. Lundstrom  
Rep. James Roger Madalena  
Sen. John Pinto  
Rep. Patricia Roybal Caballero  
Rep. James E. Smith  
Rep. Thomas C. Taylor  
Rep. Monica Youngblood

Rep. Zachary J. Cook  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar

**Staff**

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)  
Tessa Ryan, Staff Attorney, LCS  
Abby Wolberg, Law Student Intern, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts are in the meeting file.

**Tuesday, June 4****Call to Order**

Senator Morales called the meeting to order at 10:07 a.m., welcomed the committee and members of the audience and asked committee members and staff to introduce themselves.

**Programs and Legislative Priorities of the Economic Development Department (EDD)**

Jon Barela, secretary of economic development, began his presentation with the Programs and Legislative Priorities of the Economic Development Department PowerPoint handout. (See handout marked Agenda Item 2.)

First, Secretary Barela discussed the Jobs Training Initiative program (JTIP), which provides financial incentives to companies that create jobs in New Mexico. The program has been around since 1972, is responsible for 51,000 jobs and has been duplicated by other states. JTIP funding levels fluctuate by year, and it would benefit the program to have predictable funding. He suggested creating an "evergreen" fund for JTIP, revising the funding from nonrecurring special appropriations to recurring funding in the department's base budget. He explained that JTIP applies to all employers, regardless of the number of employees, and the incentive money goes through an extensive auditing program that has a high level of transparency.

Second, Secretary Barela suggested bolstering funding for the existing MainStreet program, one of the most successful MainStreet programs in the country. The MainStreet program, as well as the newly added Frontier Communities program, help to provide gross receipts tax revenue, jobs and better quality of life for rural residents. He described the programs' latest efforts to renovate old theaters and suggested expanding the plaza renovations program and the Native American MainStreet program, the first of its kind.

Secretary Barela explained that the MainStreet program is experiencing a backlog of \$70 million in capital and infrastructure economic development priority projects within municipally adopted district master plans. He suggested that a proposed \$5 million in capital outlay for priority economic development projects in the district master plan would help to address the backlog. He noted the MainStreet program received no capital outlay funding in fiscal year (FY) 2012 or FY 2013.

He also suggested the doubling of state historic tax credits for eligible commercial properties in MainStreet districts from \$25,000 to \$50,000. He noted that the credits have not been changed for some time and that the increase would give business owners in rural New Mexico an incentive to renovate their historic and cultural properties. He also suggested that the

credits should be made transferable.

Third, Secretary Barela recommended capital outlay funding for Local Economic Development Act (LEDA) projects. He noted that Texas has hundreds of millions of dollars in its closing funds, which helps encourage businesses to expand or relocate to that state. He gave two examples of recently closed deals: 1) the \$35 million deal between Apple and the State of Texas, which led to the creation of 2,000 high-paying jobs in Austin; and 2) the \$75 million package deal IBM made with Louisiana to relocate its operations to Baton Rouge. He noted that New Mexico was a semifinalist in the deal with IBM. He requested an additional \$10 million in funding for LEDA projects.

Fourth, Secretary Barela asked that the committee consider an aircraft services gross receipts tax deduction. He said that New Mexico civil and commercial pilots have been going to other states like Colorado, Arizona and Texas to have repairs made to their aircraft because those states have lower gross receipts tax rates than New Mexico. As a result, New Mexico loses jobs in rural parts of the state.

Lastly, Secretary Barela noted that the legislature ran out of time in the 2013 session to address a deduction from the gross receipts tax for services related to directed energy. He said that New Mexico is the epicenter of directed energy research and that he would like to ensure the state is also the place chosen for manufacturing directed energy products. He noted that this is a rapidly expanding area and that a higher gross receipts tax can determine the outcome of a bid for related contracts.

## **Questions**

A committee member asked what the top five growing industries in New Mexico are. Secretary Barela responded that transportation, manufacturing, back-office operations and energy are the top industries in terms of growth and that high-tech industries are making a rebound. He also said that New Mexico is experiencing its best jobs growth since 2008 and the state has experienced three consecutive months of job growth. A committee member followed up by asking how much money, proportionally, went to those five industries and noted concern that New Mexico should spend its funds in the state's thriving industries. Secretary Barela explained that JTIP-eligible companies probably exist in each of the five industries and also noted that a large portion of funding was allocated to the value-added agriculture industry.

In response to a question related to JTIP funds, Secretary Barela said that there is a very high rate of job retention among JTIP-funded companies and that companies that receive JTIP funds must create jobs that exist for at least one year in order to be eligible for JTIP.

Regarding the MainStreet program, a committee member asked who is responsible for marketing an area once it is renovated using the program's funds. Secretary Barela said that cities and the Tourism Department provide marketing for MainStreet areas, and he noted that the most effective marketing comes from local advertising.

A committee member inquired about how the viability of LEDA requests is determined



and whether job creation is part of that determination. Secretary Barela said that a matrix and formula are used to gauge viability of projects and extra points are awarded for certain projects. The projects are well vetted and analyzed closely. The EDD tries to address concerns about LEDA funds objectively and transparently.

A committee member asked about the dollar value of jobs created through incentive programs. Secretary Barela explained that the value varies and that rural community jobs are more expensive to create and fewer of those jobs are created by companies. He said that there is no set dollar amount for the jobs created but estimated the minimum cost per job is about \$50,000. Secretary Barela explained that a list of all LEDA projects is on the EDD's web site and that he could also communicate that information directly to the committee. A committee member asked whether the secretary could quantify the number of jobs created through current initiatives of the department. Secretary Barela explained that the department has information about every JTIP-related job, and he reiterated that in order to qualify for JTIP, a company has to create new jobs. Secretary Barela estimated that hundreds of jobs were created in 2012 through the MainStreet program.

When asked how many negotiations the department currently has under way, Secretary Barela responded that he has seen a spike in leads from all around the state in the last two months.

In response to a question about how the EDD can help struggling small businesses in rural and unincorporated areas of the state, Secretary Barela encouraged such businesses having difficulties with tax or licensing issues to contact the department for assistance. He said that the department is seeking resources to help create a "one-stop shop" in the department to assist business owners on a variety of issues.

A committee member noted that several legislators recently visited Taiwan and while there, they spoke with a Taiwanese coordinator who had some difficulty communicating with the EDD. The member asked that the coordinator's comments be investigated and requested the department to report back to the committee about the issue. The member also expressed the committee's interest in having the secretary or a representative of the department at the committee's interim meetings to address any issues involving the department that might arise at meetings. The secretary stated that the department would investigate the issue related to communications with Taiwanese representatives and that the department's staff would be in communication with legislative staff.

A committee member asked for clarification on directed energy. Secretary Barela explained that directed energy is a technology that uses sound or light waves to do such things as disable objects on a battlefield. He said there are a number of civilian applications for the technology as well.

In response to a question, Secretary Barela explained that capital outlay funds for the MainStreet program are set aside from a specific capital outlay fund.

A committee member expressed concerns about a number of gross receipts tax-related bills and suggested that the state's tax system could be improved. Secretary Barela commented that New Mexico's tax code is complicated and includes a very large number of deductions. He added that the gross receipts tax generates a lot of revenue for the state, but in order to be more competitive, the state might consider lowering the gross receipts tax rate.

In response to inquiries, Secretary Barela said he could provide information on the Frontier Communities program to the committee.

Secretary Barela commented that the spaceport is a \$209 million asset he believes will provide a good return for New Mexico in time. He said that the state was losing opportunities before the Space Flight Informed Consent Act was passed, and records indicate that some of that business was lost to Texas.

A committee member asked for an update on the road to the spaceport, which is currently being upgraded. Wade Jackson, general counsel for the EDD and for the spaceport, said that paving of the road is not yet under way but that a layer of asphalt is being laid on the road.

In response to a question about the EDD's relationship and communication with the Tourism Department, with respect to the EDD's planning, Secretary Barela explained that there is lot of overlap in the work of the two departments and that communication between them is good.

A committee member asked how New Mexico's work force is marketed to companies like IBM. Secretary Barela offered that New Mexico has one of the best community college systems and noted that the state's four-year institutions do a fine job of preparing students for jobs. He also said that a hidden economic development tool for the state is the lottery scholarship because it is a huge incentive to be able to tell companies that New Mexico students have that financial resource.

A committee member inquired about how the EDD ensures that small communities and tribes are involved in film productions in the state. Secretary Barela responded that the department encourages studios to take a look at all parts of the state, but the costs associated with film production increase as a production moves farther from an actual film studio. The committee member then asked whether the wild fires taking place in New Mexico have hurt the film business in the state. Secretary Barela said that, to his knowledge, they have not.

A committee member noted that New Mexico's tax structure is an issue for new companies and large and small businesses already located in the state. Secretary Barela responded that taxes and regulations have a lot of influence on all business decisions.

In response to a question about the relationship between the department and local economic development offices, Secretary Barela explained that there is a partnership there and that leads are often generated in the EDD, which then sends out requests to various communities to bid on the opportunities. He also noted that communities also receive leads and communicate those leads to the department.

A committee member asked how JTIP candidates can be qualified to receive funds. Secretary Barela said that the department tries to treat taxpayers' money judiciously and the EDD performs due diligence to make sure a potential JTIP deal is sound. He also expressed the department's need for a claw-back possibility.

A committee member asked what the fiscal impact would be from doubling the state historic tax credits for eligible commercial properties in MainStreet districts. Secretary Barela said the fiscal increase would be about \$100,000.

### **New Mexico True: Initiatives, Legislative Priorities of the Tourism Department**

Jordan Guenther, digital media director, Tourism Department, began by saying that the Tourism Department delivers a three-to-one return on investment. One of the department's recent goals is to encourage summer as well as winter travel to New Mexico, and the department's New Mexico campaign is designed to benefit both metropolitan and rural areas in the state. The department is responsible for starting the "industry toolkit" that includes free advertising templates with fonts and logos and that gives all industries access to an extensive video and photo library that will give businesses the ability to create world-class advertising that would otherwise be very expensive.

Mr. Guenther also described the community outreach activities of the department that have allowed the department to travel around state and see what communities have to offer. Secretary of Tourism Monique Jacobson attends each of the department's New Mexico True tours personally. The department maintains a Facebook and Twitter presence and sends information to its social media followers in order to encourage tourism in featured areas. The free advertising on the department's web site is helpful to communities and businesses. The department's web site averages 1.4 million views per year. There has been a 300% increase in the web site traffic of businesses that receive viewers directed from the department's web site.

The Tourism Department is working with the New Mexico Film Division of the EDD in order to make film trailers that advertise all of the places where films have been made in the state. The Tourism Department is also working to advertise more in other states. The New Mexico True story submissions have exceeded the department's expectations and have been submitted by New Mexicans and visitors to the state. Upcoming New Mexico True advertisements will relate to actual events in order to correct common misconceptions about New Mexico.

Mr. Guenther proposed increasing the department's budget to \$450,000 for FY 2014 and increasing the budget for marketing boards across the state because they are able to market their respective regions better than other groups.

Lansing Adams, financial manager and legislative liaison, Tourism Department, announced that the Tourism Department decided to engage the six regional tourism boards across the state and have them rank their top three tourist attractions and projects. These ranked attractions and projects will be presented with impact reports to the Tourism Department.

Mr. Adams explained that tourism is an economic development industry that creates jobs. New Mexico's tourism industry has seen over 2% job growth every month, which amounts to over 1,800 jobs a month that the leisure and hospitality industry is adding to New Mexico's economy. This form of job creation is concentrated in some counties.

## **Questions**

A committee member asked how New Mexico compares to other states with respect to investments into and commitments to tourism. The Tourism Department representatives responded that the department is trying to shift funds toward direct marketing and is investing half of the department's budget in advertising.

A committee member mentioned that the Tourism Department does not have any kind of fund like the EDD's LEDA fund and noted that tourist attractions need specific infrastructure in order to advertise and promote those attractions to ensure that the attractions are readily available and safe for patrons. The member suggested that a special fund for tourism infrastructure, similar to EDD's LEDA fund, should be established.

A committee member who was part of the delegation that traveled to Taiwan noted that other states provide brochures in other languages and that business partners in Taiwan asked the delegation for translated New Mexico brochures.

Another committee member brought up the new direct flight that exists between Albuquerque and New York and asked how the Tourism Department might work to establish the state in the New York market. The presenters explained that the New York market is an expensive market to access, especially when advertising extremely focused messages.

In response to a question regarding how Native American tribes are involved in regional boards and whether there are fees to be a part of those boards, the presenters noted that there is no fee to be associated with the boards and that some boards do have sitting Native American representatives. The department also works closely with Mark Trujillo, the tribal liaison for the Tourism Department.

In response to a question from a committee member, the presenters explained that the use of the department's advertising asset library is free and users can log in to the library with a user name and password.

A committee member asked what the return on investment was for the Tourism Department. The presenters responded that last year's return was \$3.6 million and that more specific details are available from department. The committee member asked whether the department expects that return to increase, and the presenters reiterated that they are confident in the department's three-to-one return and that they could provide more specific information to the committee.

A committee member inquired whether advertising for New Mexico tourism could be targeted to Chicago and New York City. The presenters said that the department is advertising in

Chicago. The presenters noted that a \$2.5 million budget would allow the department to access the San Diego market as well, but that the department is looking into whether a digital message could be used in that market because it is cheaper but effective.

### **2013 Legislative Session Summary — Ms. Ewing and Ms. Wolberg**

Ms. Ewing and Ms. Wolberg gave a brief review of 2013 economic development-related legislation. (See handout marked Agenda Item 5.)

### **Review and Adoption of Interim 2013 Work Plan and Meeting Schedule**

The committee discussed its proposed interim work plan. Ms. Ewing identified several items and areas for the committee to consider addressing during the interim. In addition to approving each of the items on the proposed work plan, the committee agreed to include the following items for the work plan, to be presented to the New Mexico Legislative Council for approval:

- the Taxation and Revenue Department's report on the impact of 2013 legislation on economic development and employment in the state and the effects of the passage of House Bill 641 in the 2013 session;
- the activities and recent initiatives of Spaceport America;
- individual development accounts and possible related legislation to be proposed;
- the programs of the New Mexico Aviation Aerospace Association, including the Education Alliance;
- the impact of oil and gas ordinances and regulations on the state's revenues;
- the EDD's report on tax credits and other incentives offered by the state and the relationship between those incentives and job creation in the state; and
- the development of designated areas within Albuquerque, including the Route 66 corridor.

The committee voted to limit all out-of-town meetings to one location. The committee also voted to visit Truth or Consequences on August 5-6, 2013 and to visit Spaceport America at that time. It also voted to visit the Pueblo of Santa Clara on October 10-11, 2013. Finally, the committee decided to meet in Ruidoso for its September 12-13 meeting.

### **Business Development — Business Incubators**

Marie Longserre, president and chief executive officer, Santa Fe Business Incubator, presented to the committee on business incubators and reviewed facts about business incubators from materials she provided to the committee. (See handouts marked Agenda Item 4.) She said business incubators, as a model, work and help to create thousands of jobs. A successful incubator will be located in a place with local champions of the model, an entrepreneurial spirit and community cooperation. Incubators work closely with the EDD, and funding is important to ensure that the incubators can do their important work.

Ms. Longserre said that starting businesses is not easy and many business people lack the necessary skills to start a business. Business incubators provide important business mentoring programs and infrastructure to businesses. Incubators can provide a beginning point for businesses and help them move from holding business meetings in owners' dining rooms to

holding them in a corporate office conference room. Incubators also provide a business-friendly ecosystem in which entrepreneurs share information, conduct business together, create new businesses together and help each other. In places where communities are involved in the building of incubators, there is a higher retention rate of businesses because communities devote energy toward a business's stability through cooperation.

Ms. Longserre noted that, in 2008, the United States Department of Commerce found that incubators create jobs at far less cost than any other government investment and incubators create 20% more jobs than community infrastructure projects. In New Mexico, there are six active incubators. The business incubator model is relatively new to New Mexico, between 20 and 30 years old, but in 2002, business incubators in the state produced a 50-to-one return on investment. Ms. Longserre expressed her love for the work she does and said that a survey of business incubator managers like herself indicated a 95% job satisfaction rate.

### **Questions**

A committee member asked what sort of expertise and funding a person would need to start an incubator. Ms. Longserre explained that funding does not guarantee success, and although there are general guidelines to an incubator's success, each incubator is unique. There is help for people who want to start incubators, and there is a business incubator certification through the EDD.

Ms. Longserre said that a successful incubator will assess the sustainability of a market, but unsuccessful incubators are not helpful to a community. It is important to help incubators succeed using knowledge of best practices derived from studies on building successful incubators.

A committee member asked what can be done to help expand incubators across the state. Ms. Longserre said that incubators are struggling because both public and private funding sources have waned recently. She said that ensuring that incubators have resources requires the sponsorship of viable programs. Incubators can leverage those programs and encourage expansion of incubators in other parts of the state.

A committee member said that the important thing about the state's incubators is that each of them is different and there is no one model for how to build an incubator. Once an incubator is created, its success and operation are specific to each community. This is important because it means they do not all have the same structure or the same funding. Business incubators are a good example of a successful public-private partnership.

Another committee member noted that business incubators are an example of how legislators and the private sector can get involved in a microlending program. She said that microlending attracts private lending because when the public sector agrees to dedicate funding, the private sector is willing to take a risk in allocating funding because the public sector is involved as well. The private sector is attracted to these sustainable and small programs. Perhaps businesses could be matched with local banks to help encourage other funding sources.

### **Adjournment**

There being no other business before the committee, the meeting was adjourned at 2:45 p.m.

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**MINUTES  
of the  
SECOND MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**July 8-9, 2013  
San Juan College, Farmington, NM**

The second meeting of the Economic and Rural Development Committee (ERDC) for the 2013 interim was called to order at 10:21 a.m. by Senator Howie C. Morales, chair, on Monday, July 8, 2013, at the Zia Conference Center at San Juan College in Farmington.

**Present**

Sen. Howie C. Morales, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Sen. Jacob R. Candelaria  
Rep. Ernest H. Chavez  
Sen. Phil A. Griego  
Sen. Ron Griggs  
Rep. Yvette Herrell  
Sen. Richard C. Martinez  
Sen. Pat Woods

**Absent**

Rep. George Dodge, Jr.  
Rep. Nora Espinoza  
Rep. Mary Helen Garcia  
Rep. Dianne Miller Hamilton  
Sen. Michael Padilla

**Advisory Members**

Sen. Lee S. Cotter  
Rep. Sandra D. Jeff (July 9)  
Rep. Georgene Louis  
Rep. Patricia A. Lundstrom (July 9)  
Rep. James Roger Madalena  
Sen. John Pinto (July 9)  
Rep. William "Bill" R. Rehm  
Rep. James E. Smith  
Rep. Monica Youngblood

Sen. Craig W. Brandt  
Rep. Zachary J. Cook  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. Patricia Roybal Caballero  
Rep. Nick L. Salazar  
Rep. Thomas C. Taylor

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)  
Tessa Ryan, Staff Attorney, LCS  
Abby Wolberg, Law Student Intern, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts are in the meeting file.



## **Monday, July 8**

### **Call to Order**

Senator Morales welcomed the committee and members of the audience and asked committee members and staff to introduce themselves.

Dr. Toni Hopper Pendergrass, president of San Juan College, and Scott Eckstein, chair of the San Juan County Commission and mayor of Bloomfield, gave opening remarks. San Juan College serves 18,000 students annually and is the second-largest community college in New Mexico and the fourth-largest institution in the state. The national average age of college students is 27, but at San Juan College it is 36. San Juan College's student demographics include 50% Anglo, 30% Native American and 14% Hispanic or Latino. Eighty-five percent of the school's students are first generation students. Dr. Pendergrass expressed excitement about the school's new School of Energy and described the college's Science, Technology, Engineering and Mathematics (STEM) Project planned for the upcoming year. Mr. Eckstein and Dr. Pendergrass discussed Four Corners Economic Development, Inc., which includes programs aimed at diversifying San Juan County's economy.

### **2013 Legislation Update: House Bill 641 (HB 641) and Economic Development-Related Tax Bills**

Demesia Padilla, secretary of taxation and revenue, discussed HB 641 (see handout marked Agenda Item 1) and stated that it indicates a change in how corporate income tax is viewed in New Mexico. The bill makes New Mexico more competitive in corporate America.

HB 641 requires mandatory reporting for corporations with large retail facilities. Secretary Padilla said the reporting requirement for corporations that employ more than 750 people in a non-retail capacity will encourage those corporations to expand in non-retail areas. She said she has already been contacted by parties interested in expansion. Secretary Padilla explained that single-weighted scales will encourage manufacturers to expand capital investments and hire more people in New Mexico. She said the combined fiscal impact of provisions in HB 641 will be positive, though separately, the impacts could be negative. Certain provisions do not go into effect until 2014 and will be phased in over several years.

Secretary Padilla said the municipal and county hold harmless distribution reductions will be phased in over 17 years to mitigate negative fiscal impacts. Municipalities with fewer than 10,000 people and counties with fewer than 48,000 people will still receive hold harmless distributions from the general fund. Only 12 large cities will be affected by the reductions.

A committee member asked Secretary Padilla to provide the committee with a list of the cities that will be affected and noted that it is important that smaller cities and towns be made aware of the fact that certain actions they take could cause them to be included in the hold harmless distribution phase-in provision. Secretary Padilla stated that such a list will be provided and added that she and a colleague have met with city managers to inform them of the situation and risk described by the member.

Secretary Padilla said it was discovered, when drafting legislative measures concerning consumable items, that some things were effectively excluded, providing tax deductions where it was not appropriate and costing communities money. The bill clarifies the definition of "consumable" for purposes of deduction from the gross receipts tax (GRT) in order to bring the definition in line with what is commonly believed to be a manufactured good.

Secretary Padilla also said the high-wage jobs tax credit was revised in HB 641, and fiscal impact reports show that the revision could result in higher revenue for the state. Other changes included in HB 641 include revised definitions of "wages" and "eligible sales", as well as an increase in the wage threshold.

Secretary Padilla said that the \$50 million cap on the film tax credit will remain, but HB 641 provides for a \$10 million rollover for unused annual film credits. This change, along with others, is intended to encourage filming of television series, which, statistics show, could be more beneficial to the state.

### **Questions**

A committee member said that she would like leadership from the 12 cities affected by the hold harmless distribution changes to explain to the committee what impacts those leaders anticipate for their cities. Secretary Padilla said that leaders from Albuquerque, which will be affected the most by the changes, have met with her department, and the leadership did not seem concerned about the impacts. She also stated that Las Cruces leadership is not sure what the fiscal impact on Las Cruces will be. Secretary Padilla said that the department's economist will be available to those communities that need assistance with determining the potential impact their communities could experience. The committee member said that many communities already know how it will affect them and noted that it is problematic that a complete fiscal impact report for HB 641 was not produced until after the session was over.

A member noted his concerns about the fact that small cities may not be able to take advantage of the high-wage jobs tax credit. He said a business may currently be able to take advantage of the high-wage jobs tax credit but, as the wage threshold increases, those businesses may no longer be able to use the credit.

A committee member said that discussion of HB 641 before its passage seemed rushed and that possibly conflicting data were being provided about the bill. Secretary Padilla explained that during the session, economists were working on the many pieces of HB 641 up through the last week before the vote on the bill. She added that the individual pieces of legislation that became HB 641 were discussed at length in committee during the session. The data involved were changed slightly in the process, but the Legislative Finance Committee now has the most current numbers. The member said he is concerned because the bill was signed into law before the legislature had a chance to see those numbers.

A member asked Secretary Padilla to explain the definition of "consumables", as changed in HB 641. Secretary Padilla said that HB 641 revised the definition of consumables so that it no longer includes, for example, businesses with kitchens that prepare and serve plates of food for

immediate consumption. Manufacturers such as tortilla and salsa companies are still considered producers of consumables. The committee member asked how this would affect small business owners. Secretary Padilla said that a place such as a small print shop will be included and that the only businesses excluded are those such as pizza shops that are creating items for immediate consumption.

A member noted that he would like to have a discussion with representatives from Hollywood about whether the film tax credits are fair to New Mexicans. Secretary Padilla stated that an economic consultant will be hired to analyze the impact of the state's film tax credits.

### **New Mexico Small Business Assistance (NMSBA) Program: 2013 Update**

Genaro Montoya, NMSBA program manager, Sandia National Laboratories (SNL), began by describing the work of the NMSBA. (See handout marked Agenda Item 2.) The program is a partnership between small businesses, Los Alamos National Laboratory (LANL) and SNL, and it provides assistance in the form of lab staff hours to for-profit businesses in New Mexico. The 2012 annual report revealed that between 2000 and 2012, the NMSBA assisted 2,036 businesses in all 33 New Mexico counties, which created or retained 2,874 jobs in the state. (See handout marked Agenda Item 2.)

Belinda Snyder, economic development program manager for LANL, explained that the program concentrates on solving small business needs across multiple industries, while taking into account overall economic impacts. She noted that agriculture, oil and gas, renewable energy and manufacturing industries have all been affected by their program. She introduced a program client who described the benefits his company received through participation in the program.

### **Questions**

A committee member asked whether the program only serves existing businesses. Mr. Montoya said that the legislation that created the program requires: 1) that the business is an existing company; 2) that the business has a tax identification number; 3) that the business will eventually pay GRT (or is already paying GRT); and 4) that it has the potential to give back to the community. Only small businesses are eligible for NMSBA participation, and this restriction prevents the NMSBA from working with large companies; however, if a small business is working with these large companies, the NMSBA can still work with the small business separately.

Ms. Snyder also explained that there are relationships that can be used to introduce small business owners to investors, but the NMSBA generally does not provide that kind of assistance.

### **Economic Development in Rural and Tribal Communities**

Terry Brunner, state director of rural development, United States Department of Agriculture (USDA), said that many people are not aware of how involved the USDA is in economic development and rural development. (See handout marked Agenda Item 3.) He said that despite a 33% cut in staff and a 20% cut in budget, the USDA has been able to achieve many successes. The priorities of rural development are strategic partnerships and expanding markets, as access to capital is one of the biggest problems for businesses in rural areas. The USDA

achieves these goals through three core rural agencies: housing, utilities and business. The USDA also provides large and small home loans to more than 100 New Mexicans every year. It provides assistance for multi-family housing and community facilities. There has been more interest in the community facility loan program from health care facilities recently as a result of current health care reform.

Mr. Brunner suggested that the state could have more success in securing federal money if the state had a more clearly defined plan showing how it would use federal funds. Better coordination of the state's development efforts and priorities, as well as strong community partners who are knowledgeable about accessing federal funds and have the ability to complete funding and loan paperwork and manage grants from start to finish, would help the state in its efforts to secure USDA funding. He added that rural areas have an especially hard time securing such partnerships. The USDA is trying to develop a way to provide local representatives to help communities navigate the funding process.

Jeff Kiely, executive director for the Northwest New Mexico Council of Governments, agreed that in order to move forward in rural New Mexico, the state needs a plan to target resources and to help communities to become eligible for federal grants. These grants hinge on the existence of a cohesive plan so that the federal government knows where the resources it provides need to go and so that a duplication of efforts can be avoided. During the federal stimulus, there were fewer "shovel-ready" projects than the federal government anticipated because communities lacked cohesive plans for projects in need of funding.

## **Questions**

A committee member asked how small incorporated and unincorporated communities find out about and apply for federal loans and grants. Mr. Brunner explained that the USDA provides grants and loans and has relationships with rural communities' assistance organizations and can only work with public entities or nonprofits. Tribes can apply for the USDA's assistance because they are public entities.

A committee member asked whether the definition of "colonias" could be changed to allow communities that do not otherwise fit the criteria of a colonia to be eligible for much-needed federal funds. Mr. Brunner said that such a change would require revision of federal law but noted that there have been discussions to set aside money for communities that are in desperate need of funding.

A member asked whether USDA funds could be used together with local funds to complete a project. Mr. Brunner said yes, that the USDA often provides the final funding for projects that were initially locally funded. The committee member asked how a higher education facility would apply for money to build student housing. Mr. Brunner said the USDA makes loans to educational facilities and campuses, which often use revenue from student housing to pay on their USDA loans.

A member asked why many developers could not receive the necessary funding for low-income and multi-family housing in southeastern New Mexico. Mr. Brunner reiterated the

difficulties in providing funding when a community does not have a plan in place for the use of the funds or USDA assistance. He added that the local economy in southeastern New Mexico is driven by the oil and gas industry, which experiences frequent booms and busts.

A member asked how the state can coordinate and leverage resources. Mr. Brunner explained that many communities do not know that the resources he identified for the committee exist, so getting information about the resources to communities is important. It is also critical to have people in communities who can navigate the funding process for their communities. He has been asked why New Mexico does not have development offices similar to those in every Texas county. He said New Mexico does not currently have the infrastructure for such offices, and solving local development issues will take time. Bilingual and bicultural navigators who are willing to work with communities to help navigate the day-to-day aspects of applying for USDA assistance would be extremely helpful.

A committee member proposed having someone meet with local officials and educational facilities in order to educate them on federal funding options. Mr. Brunner said it is difficult to know whom to work with in local communities, but he would be happy to receive suggestions and referrals. The USDA has been resourceful and creative with its limited staff and funding and welcomes suggestions for community partners.

### **Uranium Mining in New Mexico: Roca Honda Mine**

John DeJoia, senior vice president of New Mexico operations for Roca Honda Resources, discussed the Roca Honda mine project, a proposed uranium mine in northwest New Mexico. (See handout marked Agenda Item 4.) He said the mine could have a tremendous economic impact, including creation of thousands of direct jobs in Cibola and McKinley counties, as well as other significant economic impacts in the rest of the state.

Mr. DeJoia stated that mining practices are safer today than ever before and that surface disturbance from mining is less than might be expected. He discussed a map in his handout and indicated which mine facilities shown on the map are water treatment plants. He said not all the water is taken out of formations, but that enough is removed for the safety of workers. Page seven of the handout indicates Roca Honda's approach to water use. Finally, Mr. DeJoia emphasized the large investment — more than \$32 million — he and his partner have made in the mine.

Fernando Martinez, director of the Mining and Minerals Division (MMD) of the Energy, Minerals and Natural Resources Department, explained that mining is different today in terms of safety and in terms of protection of environmental, cultural and natural resources. He noted that the permitting process for mining is meant to preserve and protect resources. Mr. Martinez said that many different agencies — federal, local and tribal — participate in the permitting process. A main objective of his division is to ensure that reclamation takes place. Companies are required to post money in the amount of the cost of reclamation before mining operations begin.

### **Questions**

A committee member asked what feedback on the mine has been received from affected

tribes. The presenters noted that a consultation process with the U.S. Forest Service has been under way for several years, and that process has been the main contact with tribes. The affected tribes have been notified through newspapers and through other official processes. There have been face-to-face meetings and visits of the mine properties with tribal members, but no commitments have been made by any participating tribes. The member asked how much consideration would be given to tribal perspective on the mine. Mr. Martinez said regulatory requirements include dealing with the public, and that no company can operate outside the regulations. He added that about half of the tribes support the mine and half do not, especially given the historical issues with mine reclamation. He stated that no mining operations will be on tribal lands.

A member asked where the mine's milling would take place. Mr. DeJoia stated that an operational uranium mill in Utah is a possible milling site. The member asked whether any truck routes on which the uranium might be transported en route to Utah would be eligible for Waste Isolation Pilot Plant (WIPP) funds. Mr. DeJoia replied that it is not certain what route would be taken, so it is not clear whether the route would be eligible for WIPP funds. He added that there is also a possibility that the mine product would be shipped by train.

A member requested that a letter be prepared to the state's congressional delegation requesting a report on funds for legacy uranium mine cleanup and the status of memoranda of understanding with the Bureau of Land Management regarding legacy mine cleanup.

A member asked where the Roca Honda mine project is in the permit application package (PAP) flowchart. (See handout marked Agenda Item 4.) Mr. Martinez said that the project is at the stage involving MMD distribution of PAP for technical review and comments, MMD initiation of tribal consultation and MMD technical review of PAP. The project is in the third or fourth round of technical review.

A member asked where in the process the mine is in terms of permit approval by the Energy, Minerals and Natural Resources Department (EMNRD). Mr. Martinez explained that there are many permits required for this project. Mr. DeJoia estimated the percentage of completion for some of the mine's permits to be 90% for the dewatering permit, 85% for the National Pollutant Discharge Elimination System permit and 90% for the mine permit. The member then asked about the impairment findings in the mine's environmental impact statement. Mr. De Joia stated that, with respect to dewatering, three private wells could be impaired, and Roca Honda Resources has committed to replacing those three wells. He referred to page 7 of his materials.

In response to a question, Mr. DeJoia stated that nothing is introduced into the mine except for workers and equipment. Only extraction takes place, and nothing is injected into the formations except maybe fertilizer as an explosive.

A member suggested that new mine operations might assist with cleanup of old mines. Mr. De Joia responded that his company had committed to perform cleanup of an area across the highway from the mine site, but that area has since been cleared. He added that there will be

funds for legacy cleanup, and the company has agreed to have a full-time archaeologist on site at the operation.

In response to a member's questions, Mr. De Joia stated that his company will begin reclamation two years after mine production ceases. All costs of reclamation are borne by the mine operator, which has to post financial assurance into an account in the amount of the cost of cleanup.

Mr. Martinez stated that there are several current applications for uranium mining being handled by his department.

### **Uranium Mining in New Mexico: Tribal Perspectives**

Joe M. Aragon, Jr., first lieutenant governor of the Pueblo of Acoma, thanked the committee for the opportunity to express concerns about the mine. He stated that the Pueblo of Acoma does not oppose mining in the area near Mount Taylor, but the pueblo is concerned about the long-term effects that this mine could have on the area. He then presented an official written statement by the Pueblo of Acoma. (See statement marked Agenda Item 5.) He stressed that the tribes were given information by the mine about certain economic and job benefits that would result from construction of the mine. He asserted that those projections of benefits have been inflated and that there have been discrepancies between reports relating to jobs that will be created from the mine's operation. He said that very few mine workers will be from the local tribal communities and that the mine will not provide jobs for local people, largely because of the lack of skilled and trained laborers in those areas. Therefore, many of the benefits that the mine says it will provide in terms of revenue and jobs will go to other communities.

Lieutenant Governor Aragon also said that the project will affect water resources, which could be permanently lost. Many places have been harmed by past uranium mining, and people are still trying to recover from those past harms. People should be caretakers of the earth for the sake of future generations.

Rex Lee Jim, vice president of the Navajo Nation, expressed the Navajo Nation's concerns about the mine and stated that the nation strongly opposes the mine. Vice President Jim expressed the importance of the mine meeting with tribal entities and engaging in respectful face-to-face dialogue. He outlined concerns, including the more than 520 existing abandoned uranium sites and continued ground water contamination issues. He said that although the federal Environmental Protection Agency and the U.S. Forest Service have regulations in place related to mining, the nation has been treated unjustly by those entities in the past. He added that those regulations were put in place without the involvement of tribes. He referred to the 2005 Dine Natural Resources Protection Act, which prohibits all uranium mining until all cleanup from past mining is completed. Piles of tailings from old mines remain in Tuba City and Shiprock. The federal government is moving tailings from Utah but has no plans in place to remove the tailings from the Navajo Nation. He invited representatives from Roca Honda to visit the Navajo Nation to discuss the project.

Richard B. Luarkie, governor of the Pueblo of Laguna, also presented concerns to the

committee. He stated that the pueblo has past experience with uranium mining and is primarily concerned about water conservation, considering the significant amount of water — seven million gallons per day — that would be affected by this and other mining projects in the area. This water use has an economic impact as well, but Roca Honda does not address the economic impact of its mine. He noted that without water, a community's value is lost and the community will be unable to attract business. Governor Luarkie noted that the whole valley, not only the Pueblo of Laguna, could be dried up by mining operations. He hopes that objectivity is present as the state considers approval of this project and emphasized that tribes and the state are both domestic sovereigns. He stated that there needs to be collaboration with tribes, not just consultation. Governor Luarkie also said that reclamation is a good thing if it is done correctly but that even successful reclamation can never replace the water that is lost to mining. He said the Pueblo of Laguna does not oppose economic development but wishes to be mindful of these issues. He stressed the importance of government-to-government work on this issue and also noted that if the mining company will work with tribes and with the state, then sick mine workers can be taken care of.

### **Questions**

A committee member said that even though mine operations might not be on tribal land, tribal land will still be affected, and she would like to hear more information about the impacts of mining on water. She said the state needs to be proactive and not reactive and suggested that the committee look at the cost of mining to local communities.

A member said she would like to know what mines are doing in order to avoid issues caused by past mining practices. First Lieutenant Governor Aragon said that mining techniques have gotten a little better but he wants to advise people to protect water, animals and the land. Governor Luarkie said that the Pueblo of Laguna has not studied particular mines but has studied legacy mining and the downstream effects, including contaminated water that cannot be used for irrigation. He said he has not studied other towns. Vice President Jim said the Navajo Nation has yet to be shown that the mining is safe.

A committee member said that, although it was suggested that there is a communication gap, there is a letter to the tribes included in a draft of the environmental impact statement (EIS). He noted that, apparently, three out of eight tribes chose not to participate in mining communications. There is discussion between tribes, the mines and the state. He added that the tribes are rightly concerned about water but that the EIS estimates that there will not be a drastic impact on water.

### **Uranium Mining in New Mexico: Environmental Concerns**

Nadine Padilla, coordinator for the Multicultural Alliance for a Safe Environment, explained that past "booms and busts" in the uranium industry left widespread poverty and significant health and environmental effects in mining communities in the state. She said that the full extent of the effects from mining is not yet known. Mining communities bear the burden of the after-effects from mining and from the transportation of mine products. Ms. Padilla also said that she does not believe that the removal of water from communities through mining can be beneficial to those communities. There has been significant public interest in this project and



that out of 9,000 comments made on an outreach site dedicated to public opinion on the Roca Honda project, 98% of the comments were opposed to the mine.

Eric Jantz, staff attorney for the New Mexico Environmental Law Center, emphasized that three things should be considered with respect to renewed uranium mining: 1) an analysis of the costs to communities, especially with respect to illness and the loss of water resources; 2) an analysis of the actual benefits, considering that the financial benefits are contingent on the value of uranium, which has been low for some time; and 3) the equities of the situation, particularly whether it is fair to hold uranium mines responsible for past mines' actions and whether it is fair to continue to ask communities to host industries that pollute those communities. He suggested that policymakers should closely examine the figures put forth by the mine, and a comprehensive cost analysis should be performed before the mine is operational. (See handout marked Agenda Item 6.)

### **Questions**

A member asked whether the data in Mr. Jantz's handouts were based on uranium mining or some other kind of mining. Mr. Jantz said that the information is based on both in situ and conventional mining but said that the impacts of other types of mining, while different, have certain commonalities with uranium mining, including the pollution of ground water. Mr. Jantz referred to a study produced in 2007 by the Arrowhead Center at New Mexico State University and to the Environmental Law Center's web site for additional reports on the impacts of uranium mining.

A member asked whether uranium production has been flat. Mr. Jantz said that the uranium commodity price has been flat, that recent information shows that production is operating at one-third of capacity and that there is plenty of capacity in existing mines that has not been exploited. A member asked whether uranium mining should ever be a part of an economy, and Ms. Padilla responded that that question should be left to the communities that would have to host the mine operation.

### **Recess**

The committee recessed for the day at 6:00 p.m.

### **Tuesday, July 9**

#### **Call to Order**

Senator Morales reconvened the meeting at 9:12 a.m.

Tommy Roberts, mayor of the City of Farmington, welcomed the committee. Farmington has almost 50,000 people, and San Juan County has 130,000 people. Farmington is a retail hub for 250,000 people who come from communities 70 to 100 miles away. The area has diversified and self-owned utilities, a low gross receipts tax and property tax rate, a readily available and trainable work force and ample water rights. He added that Farmington is trying to diversify its economy so as not to rely so heavily on natural resources. He noted that a good climate and the competitive San Juan Regional Medical Center are other community assets.

## **Community Dental Health Coordinator Programs and Oral Health Care in Rural New Mexico**

Julius N. Manz, D.D.S., and Thomas J. Schripsema, D.D.S., from the New Mexico Dental Association (NMDA), said that New Mexico faces several challenges in terms of its residents' dental health and access to dental care. Tooth decay is the most common chronic disease among children, and it affects their ability to learn and ultimately to contribute to the economy. Dr. Manz and Dr. Schripsema explained that most people in the state are within 50 miles of a dental practice, but the number of people not going to the dentist illustrates that there are other impediments to dental health, such as fear and lack of education about dental health. They introduced the Oral Health Focus 2020 program, which has four areas of focus: prevention and public health; effective funding; education; and practice and work force. (See handout marked Agenda Item 7.) They suggested possible reinstitution of fluoridation of water, which has decreased in some areas over time, in order to prevent tooth decay. Communities might be encouraged to keep their water fluoridated through incentives and the state could realize savings through the preventive measure. Dr. Schripsema suggested implementing a requirement that children have dental examinations prior to attending school. He noted that if children receive early education about dentists, they might be more comfortable with dentists and with dental care. Dr. Schripsema suggested that the state might appoint someone who understands dental care to have an active presence in the Department of Health (DOH).

Dr. Schripsema said dental insurance differs from medical insurance because the cost of dental care is primarily paid out of pocket, so the GRT on dental services has a significant impact. New Mexico's GRT can be a significant barrier for dentists wanting to come to New Mexico. He suggested addressing this issue to encourage dentists to come to the state.

New Mexico has residents willing to study in the dental field. It is important that the state begin taking steps to establish a dental school in the state. Other dental education action items include funding programs such as the Western Interstate Commission for Higher Education (WICHE), which currently only has funding for 12 New Mexico dental students. A B.A./D.D.S. program similar to the existing B.A./M.D. program could also be established.

Dr. Schripsema and Dr. Manz addressed high student loan debt for dental students, which is a disincentive for dentists considering practicing in rural areas because those positions might not provide salaries sufficient to allow dentists to pay off student loan debt. They suggested public/private partnerships that provide loan repayment incentives and added that existing loan repayment programs require dentists to work for nonprofits, which do not exist in all areas of the state. A possible solution could be a private practice loan repayment incentive.

Lori Wood, community dental health coordinator, Hidalgo Medical Services, explained the position and work of a community dental health coordinator. She was trained as part of an 18-month pilot training program. She said that 34 participants completed the program and are working in 26 communities across seven states. Ms. Wood is the only community dental health coordinator in New Mexico. (See handout marked Agenda Item 7.)

Ms. Wood said that people need to be educated on dental health. It is hard to talk about

oral health in general during regularly scheduled dental appointments because of time constraints. Her position requires community health worker skills in addition to dental skills. There is a need for more community dental health coordinators in New Mexico, including in Indian health programs, Head Start programs, the DOH, private practices and schools. Ms. Wood noted that communities she has visited through her work have been excited about oral health and about taking part in her outreach programs. Ms. Wood told the committee about various dental issues that she has been able to resolve, patients' fears she has helped quell and families she has helped educate through her work as a community dental health coordinator.

### **Questions**

A committee member asked whether the NMDA is working with communities on fluoridation of water. Dr. Schripsema and Dr. Manz said yes, there is work at a local level, and the NMDA provides support and research regarding fluoridation. The member asked whether New Mexico gives oral exams to students, as is done in Texas. Dr. Schripsema and Dr. Manz explained that it is not a requirement for all school-age children to see a dentist, but certain programs, such as Head Start, do require exams. The member asked how many dentists in New Mexico accept Medicaid, and Dr. Schripsema replied that there are 250 to 300 dentists that accept Medicaid on a regular basis out of the 1,000 dentists in New Mexico.

A member asked whether additional community dental health coordinators are being trained. Ms. Wood stated that she went out of state for her education in the pilot program, which has not been renewed yet. Dr. Schripsema said that the NMDA has been talking to Central New Mexico Community College about the program and said that it would not require much of a curriculum change to establish a community dental health coordinator program.

Regarding in-school student dental programs, Dr. Schripsema noted that some time in the 1990s, when Medicaid experienced changes, those programs were largely discontinued. He hopes that a community dental health coordinator will be able to work with communities in order to encourage more dental exams in schools.

A member said that collaboratives can help address the lack of access to dental care in rural communities, but if a person is on Medicaid, Medicaid will not pay for services rendered unless a dentist is part of the collaborative. It is difficult to encourage dentists to live and work in rural areas of the state. Dr. Schripsema said the NMDA has embraced collaborative practice but that there are barriers, including the Medicaid issue the member mentioned, to these practices in rural areas. Dr. Manz said there is a collaborative practice act in place in New Mexico statutes, but there are other economic barriers preventing people from practicing in rural areas. Dr. Schripsema and Dr. Manz said there are many access-to-care issues and that a community dental health coordinator could help overcome some these issues.

### **San Juan College Center for Workforce Training**

Nancy L. Sisson, work force development coordinator for the Center for Workforce Training, described San Juan College's Center for Workforce Training. (See handout marked Agenda Item 8.) She discussed the organizations served by the program and student participation. Ms. Sisson said that companies in the area are very pleased to have central work

force training programs available to them.

### **Questions**

A committee member noted that San Juan College's workforce training program is part of a national program and asked whether its operation is determined at a national level or according to the needs of local industries. Ms. Sisson responded that skill-ready tests are standardized so as to ensure that a student is equipped with basic skills and that programs are able to be customized according to industry needs in a given area.

Ms. Sisson said that San Juan College is involved in job incubation. When the community identifies a need in a particular area, a new program can be established in the college, and the college will partner with members of the community.

### **Oil and Gas: Economic Development, Legislation and the Environment — Oil and Gas Industry**

Kent Cravens, director of government affairs for the New Mexico Oil and Gas Association (NMOGA), said that as technology evolves, New Mexico will be able to further tap into its natural resources and create jobs while respecting the environment. New Mexico has some of the largest oil and natural gas reserves in the country, but Texas seems to be able to produce more with fewer obstacles. Certain barriers exist for companies that choose to come to New Mexico. (See handout marked Agenda Item 9.)

Mr. Cravens said that New Mexico's oil and gas industry has to work within federal guidelines, as well as with state and local guidelines. Carol Leach, counsel for Concho Resources, said oil production in Texas has doubled, unlike in New Mexico. Barriers to production in New Mexico are not outrageous but can influence companies to go elsewhere. Ms. Leach said that regulation of the industry is duplicated in some cases and that it involves a lot of time-consuming paperwork. She said that a lot of production is on hold, even though the technology and resources are available.

Mr. Cravens and Ms. Leach suggested rule changes in regulation to reflect safety measures and technological changes made by the oil and natural gas industry. Examples of problematic regulatory areas noted by Mr. Cravens and Ms. Leach include those related to pits and the permitting process for water use. They noted that no such regulation issues exist in Texas. Mr. Cravens said that cap and trade programs in New Mexico have sent the message to a lot of companies that it could be difficult to drill in the state. He also said that local rules, such as the Mora County ban on drilling, also send a specific message to the industry.

Jason Sandel, executive vice president of Aztec Well Companies, discussed the troubles faced by the New Mexico natural gas industry and explained information provided in a handout for the committee. (See handout marked Agenda Item 9.) He described the difference between southeastern New Mexico, which is experiencing a boom in the oil industry, and northwestern New Mexico, which is experiencing a recession in the natural gas industry. He discussed the economic impact of the natural gas industry in New Mexico, such as the 46,062 direct and indirect jobs affected by the industry. Mr. Sandel also discussed the fact that his company is

willing to help fund construction of a natural gas fueling station in order to provide access to natural gas to more people. He expressed his confusion about the decision of the Farmington City Council to buy more in coal power instead of investing in natural gas.

### **Questions**

A committee member said that it was discovered that, prior to 2003, the necessary industry inspections were not being made in the southern part of the state. The presenters explained that the governor has ordered inspectors to investigate the situation. They also noted that Hobbs has hired its own inspector, so the state does not have to bear that burden, and arrangements are being worked out for that inspector to assist other cities and counties with their inspections.

A committee member suggested that it is important to educate the people of New Mexico about the environmental and economic impacts of the oil and natural gas industry. Mr. Cravens said that the industry understands the importance of water and wants to protect it. Mr. Sandel said safety and environmental compliance is a threshold that must be met in order to work with companies in this industry. He said the industry and communities need to engage in cooperative conversations and create a comprehensive policy for directing the state's energy policy.

A member said he is not surprised that oil is the number-one growth industry in New Mexico and asked whether regulation or overproduction is hurting the natural gas industry. The answer was that both are harmful. More natural gas is being produced than is demanded, which is driving the price of natural gas down. Mr. Sandel said that access to natural gas is also an issue, which could be partially solved with a fueling station such as the one he referred to earlier.

Mr. Cravens said that New Mexico is now a tier 1 level state, which means that the Independent Petroleum Association will provide funds in order to educate residents about the oil and gas industry, and he referred to a chart on the NMOGA web site. A member then asked whether export of natural gas has been considered. Mr. Cravens said that the NMOGA recently hosted a delegation from Japan that is very interested in export because of recent catastrophes with Japanese nuclear facilities.

A member said communities should not be speaking against the industry and then request capital outlay funds provided by the industry. The member then asked how the pit rule is affecting the industry. The answer was that the rig count is going down. A member of the audience, Karin V. Foster, Independent Petroleum Association, said that she is displeased with the pit rule changes, which could affect small operators, and that she welcomed the opportunity to speak to the committee.

On the issue of hydraulic fracturing (fracking), a committee member noted that there is a significant number of instances of water contamination and asked how those issues are addressed. She noted that even though job creation is important, it is important to look at environmental issues, and the committee could use more information. Mr. Cravens noted that the industry is very focused on compliance and investing in safety and the environment, which is a change from the industry of 50 to 60 years ago. Mr. Cravens added that the NMOGA is always available to help educate and speak to people, and it has a lot of useful information on its web

site.

Another member commented that it would be helpful for the presenters to prepare and provide a map of the state that shows how much land affected by the industry is owned by the government. He added that over 40% of the state's budget is based on the oil and gas industry, and for every \$.10 increase in the price of natural gas, the state benefits considerably. He suggested that other states are taking advantage of their oil and gas opportunities, and New Mexico should be doing the same.

### **Oil and Gas: Economic Development, Legislation and the Environment — Environmental Concerns**

Mr. Jantz acknowledged that the oil and gas industry contributes to New Mexico's economy. He said that he asked experts who testified in a hearing he attended whether they had foregone resources in New Mexico because of the pit rule, and they all said they had not. This response is also supported by labor statistics. (See handout marked Agenda Item 9.) It took many years to develop leases, build relationships and put infrastructure in place. The biggest driver of an industry is the commodity price. Sound fiscal policy requires regulation.

Mr. Jantz said he does not expect to change the importance of oil and gas to the economy, and the state's infrastructure would not allow abandonment of the industry. A diverse economic base would be more beneficial to the state than relying on oil and gas alone. A report by the Bureau of Business and Economic Research shows that about 3% of New Mexico's jobs are "green jobs", including building efficiency, solar and wind. This is roughly the same percentage as for oil and gas jobs. Regional economists are coming to the conclusion that clean air, clean land and clean water are important to people when they are deciding where to live. It is important to consider the costs of any industry, including oil and gas. Mr. Jantz also refuted the assertion by the industry that there has been no water contamination. Cases of contamination have been reported in Wyoming and Pennsylvania, and some of the evidence of contamination is as recent as within the last decade. There are costs to energy extraction, and those costs have to be weighed against the assets. He noted that Representative Chasey introduced a bill that would have required a cost assessment.

Tannis Fox, assistant attorney general, said the New Mexico Attorney General's Office (NMAGO) supports environmentally responsible oil and gas exploration and production. She said the NMAGO believes economics and environmental friendliness can both be satisfied. She distributed a handout showing proposed amendments to the Oil and Gas Act to update the act's enforcement provisions and financial aspects of the act. Ms. Fox emphasized that the proposed amendments do not increase or add regulatory requirements. (See handout marked Agenda Item 9.) Ms. Fox explained that the proposal is meant to bring the state's oil and gas laws up to the standards of other environmental laws in New Mexico.

Ms. Fox noted that when an environmental law has effective enforcement provisions, it helps encourage compliance with the law and helps protect people and the environment. The state needs to have adequate civil penalties for violations of the Oil and Gas Act or violations will continue. She noted that the vast majority of operators are compliant and that including

adequate penalties will level the playing field for those operators who expend resources to comply with the law.

Ms. Fox referred to her materials and stated that the Oil and Gas Act and many of its enforcement provisions were passed in 1935. The suggested revisions shown in her materials are not an effort to make enforcement provisions more aggressive but rather to bring the provisions up to the standards other states use. The standard for Oil and Gas Act violations, like the standard used for other state environmental laws, should be civil not criminal. The daily financial penalty should be increased from \$1,000 to closer to approximately \$15,000, which is comparable to other states' penalties. If the \$1,000 penalty set in 1935 was adjusted for the current dollar value, it would be approximately \$17,000. Ms. Fox added that the Oil Conservation Division (OCD) of the EMNRD is currently unable to issue administrative compliance orders to operators who are out of compliance with the law. Revising the law to allow the OCD to issue such orders would help with enforcement of the Oil and Gas Act.

### **Questions**

A committee member expressed her disagreement that the state's regulations have not encouraged oil and gas companies to operate in other states. Ms. Foster also said that there has not been an instance of water contamination since new regulations were established. Mr. Jantz clarified his statements by saying that regulations do not cost jobs and that he heard testimony that resources were not being foregone in New Mexico because of the pit rule. He added that the fact that there has been no ground water contamination since regulations were established is accurate, and that fact underscores his statement that regulation is effective. He emphasized that he does not want to demonize or canonize the industry.

### **Adjournment**

There being no further business before the committee, the second meeting of the ERDC for the 2013 interim adjourned at 2:15 p.m.

**MINUTES  
of the  
THIRD MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**August 5-6, 2013  
Turtleback Mountain Resort  
Elephant Butte, NM**

The third meeting of the Economic and Rural Development Committee (ERDC) for the 2013 interim was called to order by Senator Howie C. Morales, chair, on Monday, August 5, 2013, at 9:55 a.m. at the Turtleback Mountain Resort in Elephant Butte.

**Present**

Sen. Howie C. Morales, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Sen. Jacob R. Candelaria (Aug. 5)  
Rep. Ernest H. Chavez  
Rep. Nora Espinoza  
Rep. Mary Helen Garcia  
Sen. Richard C. Martinez (Aug. 5)  
Sen. Michael Padilla

**Absent**

Rep. George Dodge, Jr.  
Sen. Phil A. Griego  
Sen. Ron Griggs  
Rep. Dianne Miller Hamilton  
Rep. Yvette Herrell  
Sen. Pat Woods

**Advisory Members**

Sen. Lee S. Cotter  
Rep. Sandra D. Jeff (Aug. 5)  
Rep. Georgene Louis  
Rep. Patricia A. Lundstrom (Aug. 6)  
Sen. John Pinto (Aug. 6)  
Rep. Patricia Roybal Caballero  
Rep. James E. Smith (Aug. 5)

Sen. Craig W. Brandt  
Rep. Zachary J. Cook  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. James Roger Madalena  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Rep. Thomas C. Taylor  
Rep. Monica Youngblood

(Attendance dates are noted for those members not present for the entire meeting.)

**Staff**

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)  
Tessa Ryan, Staff Attorney, LCS  
Branden Ibarra, Intern, LCS

**Guests**

The guest list is in the meeting file.



## **Handouts**

Copies of all handouts are in the meeting file.

## **Monday, August 5**

### **Welcoming Remarks**

R. Eunice Kent, mayor of Elephant Butte, welcomed the ERDC and described the city's current and upcoming tourism and economic development projects. The city is working with the Tourism Department's New Mexico True campaign to advertise area attractions, which include Sierra del Rio golf course, Box Canyon jeep tours, hot mineral baths at Truth or Consequences and Spaceport America tours. Mayor Kent noted that although the state is experiencing one of the worst droughts in its history and Elephant Butte Reservoir's capacity is at a record low, activity at Elephant Butte has remained steady.

The City of Elephant Butte is partnering with the City of Truth or Consequences to promote other tourist attractions, including the nearby Spaceport America. Follow the Sun will provide transportation for spaceport visitors, who will receive on-site educational tours. Mayor Kent stressed the need for greater promotion of the spaceport by the state and the Economic Development Department (EDD).

### **New Mexico Borderplex: Economic Development and Challenges to Development**

Davin Lopez, president and chief executive officer (CEO) of the Mesilla Valley Economic Development Alliance, noted that the state's taxpayers, especially those in Dona Ana County, are investors in Spaceport America who expect a return on their investment. Positive press attention and advertising by the New Mexico True campaign have improved public support of the spaceport.

Mr. Lopez discussed two principal areas that can serve as economic development tools: asset identification and product development. Asset identification involves assessing industry trends and opportunities and identifying unique industry assets, areas to develop and available resources. Product development involves planning short- and long-term infrastructure needs, developing partnerships by providing incentives for the private sector to invest in economic development, matching state investments with community investments, making specific policy changes to improve the business environment and developing a market for communities to sell their products and services.

The Santa Teresa Borderplex initiative — a model that could be used to spur other rural communities' development — has been successful in part due to the use of these tools. Nevertheless, the Santa Teresa area needs improved infrastructure and more qualified workers. Without an adequate, qualified labor force, corporations such as Union Pacific might be reluctant to commit to greater investment in the region.

Mr. Lopez discussed state assets, including the national laboratories, White Sands and flight test centers, all of which attract private-sector investors. Such investors can hesitate to commit to making investments because of the shortage of qualified labor. Often those industries perform testing here but conduct development in other states. He recommended that the state make

investments, particularly in rural areas, to address this issue. Greater investment in work force development could ultimately create a new tax base, which would in turn generate revenues to reinvest in development programs.

With respect to the marketing of products in New Mexico, Mr. Lopez noted that the state has limited assets and that New Mexico Partnership operates on a \$900,000 budget while other states have millions of dollars in their development budgets.

Mr. Lopez commented that New Mexico, having ranked last among its bordering states in trade, labor, population and overall economic leverage, is not sufficiently competitive. New Mexico could become more competitive as a result of many private companies' relocation to the U.S./Mexico border; for every three jobs that a North American company creates after having relocated to Mexico, one U.S. job is created. Because of the congestion in El Paso created by vast international trade, some companies are relocating to nearby Santa Teresa. If this trend continues, these private-sector investors will improve the region's infrastructure at no cost to the state.

In 2011, three companies moved to Santa Teresa and constructed new warehouses and distribution centers. New housing developments, hotels, medical clinics, hospitals and a binational industrial campus grew out of the companies' presence there.

Many rural land areas are ripe for public and private-sector entities to invest in and develop. An example of an area awaiting development is Chaparral, a colonia. Its population of 20,000 and its location make it an attractive area for business. Because infrastructure — lacking in places like Chaparral — is necessary for economic development, he suggested that the state should contribute more to economic and rural development infrastructure funds. Further, the state should promote, advertise and market its assets. Improved infrastructure will lead to increased private-sector investment.

### **Questions and Comments**

A committee member expressed concern about the apparent lack of infrastructure across the state and asked whether the United States Department of Agriculture (USDA) participates in economic development in rural New Mexico. Mr. Lopez responded that the USDA has resources to contribute to infrastructure improvement, but those improvements would be unproductive without a business plan to exploit them. Moreover, a labor force would not relocate to an unpromising rural area. The member pointed out that there are several sources of funding that could contribute to the infrastructure and economic development of rural areas and that entities such as the Jobs Council could help to promote that spending. Mr. Lopez agreed.

Another committee member asked Mr. Lopez what incentives should be directed toward rural areas and what role the EDD plays in rural development. Mr. Lopez recommended that the Job Training Incentive Program (JTIP), which has been a successful initiative, be changed to eliminate the state residency requirement. JTIP funds need to be consistently replenished to make the program a reliable incentive. He added that the EDD and state resources are critical for rural economies to flourish.

A committee member asked Mr. Lopez for his recommendations for promoting growth in the Santa Teresa area. Mr. Lopez thought that \$10 million to \$12 million more in state spending would improve success in the Santa Teresa area. He added that the state should develop plans that identify appropriate land for development. It should also invest in infrastructure projects and encourage private-sector investments.

A committee member asked whether there is a model elsewhere in the nation on which New Mexico could base its infrastructure fund or closing-fund apparatus. Mr. Lopez indicated that the Mesilla Valley Economic Development Alliance has developed such a model, which is based largely on directing revenue from local taxes toward local improvements. Members remarked that there is a prevailing lack of community support for these types of self-directed investments, so local leaders need to encourage their adoption.

A committee member asked for more information on deal-closing funds. Mr. Lopez recalled that the state had a recent opportunity to bring IBM to the state, but New Mexico was unable to sell its labor force to IBM and the company relocated to Baton Rouge. He added that, as part of the strategy to attract IBM to its state, Louisiana provided \$14 million to Louisiana State University to support its computer science department and thereby ensure a pipeline of graduates able to work at IBM. Louisiana also provided \$2 million to help with recruitment of qualified laborers in the event the state could not provide a sufficient work force for IBM. Community colleges and universities can be important partners.

A committee member noted that local leadership can help with development by cooperating with neighboring communities to help build infrastructure, including roads such as those in Hobbs and Eunice. The member then suggested that communities could contribute development funds that would be matched by the state.

On the topic of maquiladoras, Mr. Lopez said that assembly work is usually done in the United States, and for every three jobs in a Mexican maquiladora, one job will be created in the United States.

### **Economic Gardening: An Approach to Economic Growth**

Dr. Beverlee J. McClure, president and CEO of the Association of Commerce and Industry, and Holly Bradshaw-Eakes, Finance New Mexico, discussed "economic gardening", which refers to an entrepreneur-centered approach to economic development. The term also refers to second-stage growth companies, or companies that are headquartered in the state, have operated in the state for at least five years, generate annual revenues of between \$500,000 and \$50 million, have a work force of between five and 99 employees, display positive growth in three of the last five years, operate in an economic-base industry, intend and have the capacity to grow and can provide a proven model for future start-up operations.

Dr. McClure cited obstacles to the growth of New Mexico-based companies that apply the economic gardening approach. One is the large investment required; another is the lack of a qualified labor pool. To help overcome these issues, New Mexico could implement a model developed by a national team that conducts strategic research on second-stage growth and economic

gardening and that has been implemented in Florida and Virginia.

Ms. Bradshaw-Eakes talked about Finance New Mexico, a project aimed at connecting start-up and established businesses with resources. The project was started in 2007 and focused on the need to disburse information throughout the state regarding the many resources and funds available for small businesses. She also discussed the "Grow It!" program aimed at providing information to businesses when they register to do business or when they renew business licenses through the state.

Ms. Bradshaw-Eakes also noted that there is a map on Finance New Mexico's web site providing unique links for each community in the state that will direct a user to financing resources geared toward that community.

### **Questions**

A member asked whether there is a list of businesses in the state that are considered stage-two businesses. Dr. McClure said that the state does not collect such data but that New Mexico Business Weekly and Albuquerque Business First have some data that are self-reported.

In response to a question, Dr. McClure said she could provide the committee members with a list of people in the state who will be trained and certified in economic gardening.

### **Motion**

The committee, without objection, approved the minutes of the first two ERDC meetings held on June 4 and July 8-9, 2013.

### **Recess**

The committee recessed for the day at 12:30 p.m. Committee members took an afternoon tour of Spaceport America.

### **Tuesday, August 6**

### **Reconvene**

Senator Morales reconvened the meeting at 9:45 a.m.

### **Economic Strategies for New Mexico**

Dr. James Peach, regents professor, Economics, Applied Statistics and International Business Department, New Mexico State University (NMSU), stressed that the state needs a new approach to economic and rural development. Specifically, the state should focus on economic development as a process, not a short-term goal; issues related to education, work force and infrastructure; a coherent development strategy; and systematic evaluation of development policies and projects.

The state's per capita income has generally been low, partly due to economic factors beyond the state's control. During the Great Recession, New Mexico ranked forty-second, and later forty-eighth, in per capita income. This marker of economic strength has remained relatively flat for the past 50 years. Dr. Peach highlighted the strong correlation between the national economy and New

Mexico's economy; when the nation performs well, so does the state.

Dr. Peach discussed New Mexico's emergence from the Great Recession. Although the U.S. economy has been recovering, New Mexico's has not. The state has experienced a 1% increase in job growth since 2007, but the labor force is still down by 37,000 jobs. Dr. Peach speculated that it could take about five years for the state to return to its pre-recession job levels, but if the state creates only 1,750 jobs per year — the goal of New Mexico Partnership and the EDD — it could take as long as 20 years to recover to 2007 employment levels.

The low growth realized in the state is largely attributable to the mining industry, which includes oil and gas production. The southeast region, where mining is concentrated, is the only part of the state to experience net economic growth since the recession's onset. Other growth industries include education and health and human services.

Dr. Peach noted that one-fourth of the state's labor force consists of public-sector employees. The federal government, which contributes approximately \$28 billion to the state and to which the state returns approximately \$6 billion, employs many of these public-sector workers. Unlike industries such as manufacturing that are hard-hit during recessions, public-sector employment remains relatively strong during recessions. Nonetheless, government employment is not, and it should not be relied on as, a growth industry.

New Mexico's economic record is weak compared to other states, and New Mexico is recovering from the recession slowly. According to federally compiled data — which are becoming scarcer due to budget cuts but which are required to better understand the state's economy — New Mexico ranks forty-seventh in the nation in gross domestic product. Certain entities, such as the Jobs Council, the EDD and the New Mexico Association of Regional Councils, are working toward solutions to the issues that contribute to the state's low rank. He stressed that it will be important that all of those efforts are coordinated, working together rather than working on narrow aspects of economic development.

Dr. Peach asserted that education and course training are key solutions to the state's economic issues. For New Mexico to become more competitive, it also must invest in infrastructure — namely, transportation and broadband availability.

Dr. Peach closed by urging that the state invest its resources wisely by establishing a systematic evaluation of the state's economic policies. To illustrate his point, Dr. Peach asked a question that he said was not formally posed prior to the \$200 million initial investment in the spaceport: whether the investment — or any investment — is the best use of that money.

## **Questions**

In response to a question about how New Mexico compares with other states, Dr. Peach stated that New Mexico's housing market was not affected as severely as the rest of the nation, but the sectors that crippled the national economy were the same that hit New Mexico the hardest. The construction and housing industries suffered the most decline. For the first time in five years, those industries are experiencing some recovery.

A committee member asked about early childhood education and development. Dr. Peach responded that the improvement of early childhood education would be the most critical factor in effecting dramatic change. Another committee member commented that the state's lack of qualified educators and its policy of social promotion are resulting in serious problems for the state's education system, a system that the state should reevaluate.

Dr. Peach responded that the state invests a lot of money in public education and education policy, but many students who have gone through the public school system are not prepared for college, and those students fall behind in becoming members of the modern work force. New Mexico could be much more effective in educating students. A spectrum of services in the schools could positively affect economic development, including better pre-K programs, meals for qualifying students and their parents and dental and vision care. The state's relatively high number of higher education institutions — seven four-year schools and 22 two-year schools — raises each one's fixed cost and, in turn, the cost to the state of a bachelor's degree. For New Mexico to improve its labor pool and education deficit, structural reforms must be made.

A committee member suggested that an economic impact report be submitted from Spaceport America and that the state's universities become catalysts in addressing the state's educational issues.

Another committee member commented on the education issue, stating that colleges and universities should think outside of the box. By developing new technology programs that are innovative, students could be more prepared to become the high-tech work force for the twenty-first century. Dr. Peach informed the committee that high-technology programs do exist and that the various departments at NMSU are switching gears in order to help students become members of the modern work force.

A committee member requested that doctoral students should conduct research and engage economic development efforts right here in New Mexico.

### **Venture Space Small Business Incubator — University of New Mexico (UNM)**

Dr. Chris Hall, department chair of mechanical engineering, UNM, and former Engineering Department faculty member, Virginia Tech, presented the background and history of Venture Space. Space missions, flights and unit construction comprise the activities of the United States space program. The current cost to the government for a shuttle launch is half a billion dollars. Dr. Hall described his enthusiasm for Spaceport America and said that space exploration is currently transitioning from government-based missions to commercial space exploration. With this major shift, the commercial industry is pushing space exploration to new frontiers. Formerly, under government direction, spacecrafts were becoming larger and larger; however, with the new commercial trends, spacecrafts are becoming smaller and smaller. UNM, NMSU and New Mexico Institute of Mining and Technology have all developed space programs that conduct research and technology for future space missions. Dr. Hall suggested that the program would benefit from an investment of \$250,000 every year for the next five years in order for the program to become self-sustaining.

## **Questions**

One of the committee members asked Dr. Hall what the outcome would be if the state invested money in the Venture Space program. Dr. Hall stated that, if successful, the program would generate growth and other developments for space exploration and would help to advance technology industries in New Mexico.

Another committee member recommended that if the project seeks funding through an appropriation, a clear correlation would need to be drawn between the project and Spaceport America.

Dr. Hall emphasized to the committee that Venture Space offers a unique opportunity for New Mexico. With the paradigm shift from larger, bulkier space shuttles to smaller space shuttles for commercial use, the state could potentially become the nexus for constructing smaller satellites. Both Dr. Hall and his colleague stressed that New Mexico should take advantage of this proposal and finance the endeavor. Construction of the satellites proposed by the project within the state would help fill a gap between technology research and actual production that is most often outsourced to other states.

A committee member suggested that an actual business plan for the project be developed and include all aspects of, and necessary steps in, making this ambitious endeavor a reality.

## **MainStreet Communities in New Mexico**

Rich Williams, director of New Mexico MainStreet, presented an update to the committee of ongoing and upcoming economic development events in rural communities across the state. New Mexico MainStreet is an accredited and licensed program through the National Trust and was recently granted \$500,000 by the State of New Mexico for its Frontier Community program. The Office of the Governor also recently announced that 16 rural communities had applied to be funded as frontier communities. Qualifications for the program include a population of fewer than 7,500 residents and demonstrated infrastructure construction or revitalization and other economic development needs.

Mr. Williams emphasized that although undervalued, volunteers are the driving force that allows New Mexico MainStreet to achieve its goals. The National Trust board is in the process of examining and reevaluating the accomplishments and long-term investments of New Mexico MainStreet.

Linda DeMarino, president of Truth or Consequences MainStreet, presented the success story of the downtown revitalization in her community. She highlighted how New Mexico MainStreet helped to facilitate that initiative. Ms. DeMarino and other local business leaders contacted New Mexico MainStreet and were able to use capital outlay funds and grants to revitalize the Truth or Consequences downtown area. The largest project included the downtown master plan that encompassed improvements such as the replacement of exterior furniture and cultural art displays.

Carrie D. La Tour, chair of the New Mexico Coalition of MainStreet Communities,

presented a success story of a downtown revitalization project in Las Cruces. Using capital outlay funding, the community has attracted and promoted public and private investors to reinvest in their local community. There are currently 23 MainStreet projects in either phase two or phase three of construction, but some have been postponed due to lack of funding. MainStreet will be seeking an additional \$3.5 million in fiscal year 2015 for ongoing projects and to construct an arts and cultural district in a downtown area.

### **Questions**

One of the committee members requested a list of the ongoing projects that are under construction in Las Cruces and those projects that have already been completed. Ms. D. La Tour provided all members of the committee with a brochure illustrating all of the projects that are either completed or under construction.

Another member of the committee asked Mr. Williams how many frontier communities had road development issues or funding requests. Mr. Williams stated that four of the communities are facing road-related issues and that curb and gutter installation is also a concern.

A member suggested that a bill be drafted to revise the Local Economic Development Act. Another member requested that the EDD provide the committee with information on the return on the state's investment in the revitalization programs.

### **Adjournment**

There being no further business before the committee, the third meeting of the ERDC for the 2013 interim adjourned at 12:30 p.m.



**MINUTES  
of the  
FOURTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**September 12-13, 2013  
Cope Learning Center, Hubbard Museum of the American West  
Ruidoso Downs, New Mexico**

The fourth meeting of the Economic and Rural Development Committee (ERDC) was called to order at 9:45 a.m. by Representative Debbie A. Rodella, vice chair, on Thursday, September 12, 2013, at the Cope Learning Center, Hubbard Museum of the American West in Ruidoso Downs.

**Present**

Sen. Howie C. Morales, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Rep. Ernest H. Chavez  
Rep. Nora Espinoza  
Rep. Mary Helen Garcia (Sept. 12)  
Sen. Ron Griggs  
Rep. Yvette Herrell  
Sen. Pat Woods

**Advisory Members**

Sen. Craig W. Brandt  
Sen. Lee S. Cotter  
Rep. Georgene Louis  
Sen. Mary Kay Papen (Sept. 12)  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. Patricia Roybal Caballero

**Guest Legislators**

Rep. Phillip M. Archuleta (Sept. 12)  
Sen. William F. Burt (Sept. 12)  
Rep. Nathan "Nate" Cote (Sept. 12)  
Rep. Kelly K. Fajardo  
Sen. Cisco McSorley (Sept. 12)  
Rep. Dennis J. Roch (Sept. 13)

**Absent**

Sen. Jacob R. Candelaria  
Rep. George Dodge, Jr.  
Sen. Phil A. Griego  
Rep. Dianne Miller Hamilton  
Sen. Richard C. Martinez  
Sen. Michael Padilla

Rep. Zachary J. Cook  
Rep. Sandra D. Jeff  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. Patricia A. Lundstrom  
Rep. James Roger Madalena  
Sen. Mark Moores  
Rep. Nick L. Salazar  
Rep. James E. Smith  
Rep. Thomas C. Taylor  
Rep. Monica Youngblood

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)  
Tessa Ryan, Staff Attorney, LCS  
Branden M. Ibarra, Intern, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all the handouts are in the meeting file.

**Thursday, September 12****Welcome and Introductions**

Representative Rodella welcomed the committee and members of the audience and asked members of the committee and staff to introduce themselves.

**Welcoming Remarks**

Gary L. Williams, mayor, Ruidoso Downs, welcomed the ERDC to the Cope Learning Center and highlighted area attractions for the committee.

Clayton Alred, president, Eastern New Mexico University at Ruidoso (ENMUR), reinforced the importance of two-year academic institutions and the vital role they will play in the economic recovery of the state. The ENMUR campus has 1,000 students and has implemented a successful dual-credit program. It is the youngest two-year institution in the state. Dr. Alred emphasized that the school's age and size are not barriers to innovation. The school's cyber security program is certified by the United States Department of Homeland Security. It also offers a forest and habitat management program certified by the United States Forest Service. The school's graduates become high-paid professionals who, in turn, pay state income taxes. The state is experiencing returns on the investments made in these schools.

**New Mexico's Economic Development Strategy: The Jobs Council**

Mark Lautman, director, Lautman Economic Architecture, LLC, and consultant to the Jobs Council, presented an update on the work of the Jobs Council. The Jobs Council includes both legislators and private sector members, and the council's primary goal is to help create an economic development and job-creation blueprint for the state. The council is following a five-step process that includes the following.

**Step 1: The Process**

This step includes consideration of the framework of the economic development plan being considered by the council. The council agreed to definitions and topics that would be used during the council's work. The council reached consensus on the process to be followed and on economic development-related definitions to be used in the council's process. Mr. Lautman explained that the Jobs Council process is not an attempt to transform the state's economy but, rather, an attempt to make a plan for how the state's economy might recover to 2007 employment levels.

### Step 2: Calculus

This step of the process includes the group's calculation of how many economic base jobs the state actually needs to create over the next 10 years in order to recover to the level of economic health seen in 2007.

### Step 3: Taxonomy

To answer the question posed in Step 2, economic developers and industry experts from across the state convened at the Jobs Council meeting and deliberated on how many economic base jobs could be created in each economic sector. The group also considered the factors of production that could affect job creation. Those factors could include capital, equity, infrastructure and residential and commercial construction. Mr. Lautman stressed that the state's lack of adequate infrastructure in rural and frontier communities was identified by industry experts and the Jobs Council as an important barrier to economic development and job creation.

Mr. Lautman explained an economic development formula guiding the council:  $E > P$ , where  $E$  = economy and  $P$  = population. When the economy is growing faster than the population, there is more capital that can be invested into economic development to improve a community. The opposite effect occurs when the economy is growing more slowly than the population, which results in lower sustainability and economic growth. The council will have to consider how many people will be living in New Mexico in the next decade.

Mr. Lautman explained the definition of "economic base jobs" used in the council's work. An economic base job is one for which the product or service offered in connection with a job is consumed or purchased using out-of-state funds.

### Questions

In response to a question about economic base jobs, Mr. Lautman stated that if a worker or handyman provides services that are consumed outside of the state, then that job would be considered an economic base job.

Another committee member asked Mr. Lautman to explain the relationship between the growth of economic base jobs growth and economic growth. Mr. Lautman stated that for every economic base job that is lost, two service jobs will be lost. The loss of economic and service-sector jobs leads to the decline in both the production and consumption of products within the state, which leads to economic recession or even depression.

### **New Mexico's Economic Development Strategy: New Mexico Association of Regional Councils**

Hubert H. Quintana, president, New Mexico Association of Regional Councils (NMARC), provided the committee with background information on the NMARC. An executive order established the Council of Governments (COG), with a mission of working with local governments on economic concerns. COG meetings are held monthly, and member governments pay a fee to be

part of the COG. The COG is divided into seven COG districts, each of which faces distinct economic obstacles and barriers. Each COG district has a rural economic development committee, which works on issues facing rural communities.

Mr. Quintana stressed that the state should have a single economic development plan and that the NMARC recommends the state establish a uniform "economic development template" that could be applied and used by each of the COG districts. The Economic Development Department (EDD), the New Mexico Association of Counties, the Association of Commerce and Industry of New Mexico and New Mexico State University (NMSU) are all contributing to assist with the development of such a template. With guidance from the State of Florida, New Mexico has established an economic development program utilizing "five keys", and the program works to identify and address the economic needs of the state.

Mr. Quintana and his associates and co-presenters, Priscilla C. Lucero, executive director of the Southwest New Mexico COG, and Jeff Kiely, executive director of the Northwest New Mexico COG, unveiled a new and exciting piece of technology being developed to help track and identify various economic and rural development projects across the state. The tool, called "The Portal", is an interactive web site that would allow users, including policymakers, to access information about economic development projects throughout the state. The web site was designed to be a virtual tour of the state's economic development and would include the current status and progress of projects in every COG district.

The first phase of project information being loaded into The Portal relates to transportation and senior programs. Ultimately, with additional work and funds, The Portal could be a useful tool for the public and legislators to identify how economic development funds are used and where in the state economic development is needed. Mr. Quintana stated that The Portal could bring sense, direction and cohesiveness to the state's economic development programs.

The presenters provided a virtual tour of The Portal web site, which is not yet live, for the committee.

## **Questions**

A committee member asked when The Portal web site would be live and accessible to the public. Mr. Quintana stated that the primary obstacle to making The Portal fully operational is funding, but he speculated that in the near future, The Portal would be partially completed and accessible to the public.

Another member asked whether input from local government and from the public and private sectors has been taken into account in the creation of a statewide economic development plan. Mr. Quintana stated that local governments' and the private sector's input would be accounted for in creation of the statewide template. In addition, public hearings would be held in each of the seven COG districts to gather further critical information.

In response to a question about who would administer or have authority to enter data into The Portal, Mr. Quintana stated that the COG would be the steward of the web site.

A member asked whether information about capital outlay projects would be accessible on The Portal and Mr. Quintana responded that it would be included on the web site.

### **Motion**

Upon a motion by Representative Garcia, seconded by Representative Espinoza, the committee unanimously approved the minutes from the committee's August 5-6, 2013 meeting.

### **New Mexico's Economic Development Strategy: EDD**

Jon Barela, secretary of economic development, provided a status update on the EDD's five-year strategic plan. The EDD has worked collaboratively with the COG districts to design an economic development template for the entire state. According to macroeconomic indicators and a recent calculation by the governor's Economic Development Commission, the state is experiencing a 1.6% increase in job growth. Secretary Barela indicated that the worst of the economic recession is over and that the state is on the road to economic recovery.

Secretary Barela stated that the construction industry, which experienced a devastating decline in the years following the onset of the recession, has finally started to recover. Issuance of residential and commercial construction permits is on the rise, which is a clear indicator of economic growth and potential recovery. He informed the committee of the recent construction of a hotel in Santa Teresa as well as construction of new residences in the area. The EDD is also implementing an international economic master plan in collaboration with the department's Mexican counterpart. Infrastructure and capital outlay projects in the southern part of the state have resulted in record-setting exports and manufacturing projects. Secretary Barela informed the committee that the state remains a leader in export growth. An additional 218,000 jobs have been created in the state due, in part, to international trade and the state's job training incentive program (JTIP).

Regarding the MainStreet program, Secretary Barela noted that an increase in private sector investments has contributed to the success of the program. The Pueblo of Zuni is the first Native American entity to participate in the program. Some of the projects that are implemented through the program are related to renovation of historic movie houses and theater districts, which are architectural gems of rural and frontier communities. Successful completion of those projects can serve as anchors for development in communities and contribute to a higher quality of life for residents.

Secretary Barela described the EDD's five areas of focus. First, the EDD looks to establish the state as a national leader in the area of water research and development. The state currently employs 80 scientists dedicated to water research and development, which has made the state a water research innovation center. Additional resources and contributions by the state's national laboratories, NMSU and public and private grants have provided incentives for water science and technology companies. In addition, current forest management projects have been linked to the proper recharging of aquifers and often have been, but should not be, overlooked as important water conservation measures.

Second, the EDD aims to create sustainable rural communities through economic development

efforts. This goal includes development of plans for the sale and distribution of fresh produce grown by local farmers.

The third focal point is the creation of a small business resource center. Secretary Barela described the center as a "one-stop shop" for businesses to receive the assistance and resources to help ensure the health of their businesses.

Fourth, the EDD aims to support the continued success and growth of the New Mexico Borderplex in Santa Teresa.

Finally, the EDD wants to invest in technology programs within the state to help generate high-paying technology-based jobs.

Secretary Barela suggested that New Mexico should be looking for a way to generate and retain technological innovations and advancements that originate within the state. Currently, production and other business related to technologies developed in the state are happening outside New Mexico.

## **Questions**

A member asked Secretary Barela to discuss the rail bypass project. In response, the secretary expressed great enthusiasm for the project. The current rails run from Mexico City, Mexico, to El Paso, Texas. It is possible that Santa Teresa could be the center of the easternmost land grid and a gateway to commerce. That gateway is currently located in El Paso, but if the state constructs bridges over the Rio Grande that can support rail and heavy freight transportation, the state could benefit even more from international imports and exports. The project's completion is estimated to be within the next three years. The member asked whether the project would be connected with Ciudad Juarez, Mexico. Secretary Barela said that it would and that the Mexican government is interested in the decongestion of heavy traffic flow from Juarez that could result from construction of the rail bypass.

Another member expressed concern that the state has implemented numerous incentive programs to encourage large corporations to locate in New Mexico to spur job creation and economic development. The member asked whether the EDD has identified a way to support the state's smallest businesses. Secretary Barela stated that the JTIP was designed to benefit small businesses and larger companies. The member also asked whether there is a way that the state could contract private companies to engage in forest clearing to assist with aquifer rehabilitation. The secretary responded that new forest management policies could be implemented to foster potential job creation and other economic development benefits.

Another member informed the committee that the Mescalero Apache Tribe could be used as a model for forest management because the tribe's approach has resulted in healthy forests and a healthy watershed. The forests are dense, and the state needs to intervene in order to sustain the forest habitat. The secretary agreed that the tribe's forest management has been very successful.

A member noted that New Mexico is the only state with two national laboratories and a

substantial potable water supply, perhaps allowing the state to become the hub and leader in water research connecting the two entities. Currently, the University of New Mexico, NMSU and the national laboratories send delegates as envoys to foreign countries, particularly those producing oil, that are requesting water research projects. The member expressed optimism that those projects and their benefits could help the state's economy eventually.

A member asked whether the many jobs at the Borderplex are being filled by New Mexicans or Texans. Secretary Barela stated that the Borderplex is hiring both New Mexicans and Texans, but in any event, the Borderplex employees are paying taxes to the state and are spending money in the state. The member also expressed concern regarding employment at Spaceport America and cited recent news of a spaceport job fair hosted in California. Secretary Barela clarified that Virgin Galactic was the company hosting the job fair, but he added that he would like to see a commitment to hiring New Mexico residents for Spaceport America positions.

A member asked whether the national desalination research facility in Alamogordo would factor into the EDD's five-year economic development plan. Secretary Barela stated that efforts in connection with the desalination plant need to move forward because it is very important to the state. He added that Israel has engaged in this particular research endeavor, which has produced benefits for New Mexico.

### **Renewable Energy Transmission: The SunZia Project**

David Getts, general manager, SouthWestern Power Group, provided information about the potential economic development benefits for southern New Mexico that SunZia could provide. The energy transmission project has been time consuming, and there has been a lack of consensus among SunZia, the White Sands Missile Range (WSMR), the U.S. Department of Defense (DOD) and the U.S. Bureau of Land Management (BLM) about certain aspects of the project, including location of the line. A portion of the SunZia transmission line is alleged to interfere with a testing zone at WSMR. The DOD believes the location of the transmission line would impede certain test simulations conducted within that zone. The BLM will issue a decision regarding the location of the line. Mr. Getts stated that SunZia performed analyses regarding the best locations for the line, and WSMR previously agreed to the current proposed location.

A committee member asked Dan Hicks, chief of staff, WSMR, who was in the audience, to address the committee and provide information about the project from WSMR's perspective. Mr. Hicks delivered a visual presentation showing why WSMR and the DOD believe the transmission line will interfere with testing. Mr. Hicks stated that he understands the importance of the transmission line project and its potential benefits to the state; however, he stated that there are alternative routes that could be used that would not be objectionable. He reiterated WSMR's position that the current proposed location for the line would interfere with an area that is vital to national defense. The area, he stated, includes unique airspace and a mountain range that are used for low flight test simulations.

### **Questions**

Several members of the committee expressed great concern with the ongoing dispute among the project's interested parties. One member asked Mr. Getts if the governors of New Mexico and

Arizona support the project. Secretary Barela stated that Governor Susana Martinez supports the construction of the transmission line so long as the line does not disrupt military activity.

Mr. Hicks stated that the DOD objects to the line's location in part because only WSMR is capable of conducting certain missile tests. He added that the installation of the lines would create a cluttered environment that would make low test flights impossible to achieve. An alternative route along Highway 60, which has existing utility lines installed, would be the most appropriate route, he stated.

A member asked Mr. Getts why SunZia is opposed to relocating the proposed line. Mr. Getts stated SunZia had been very accommodating regarding transmission line location proposals. Some of the proposals are not feasible for SunZia, which believes that WSMR has not presented scientific evidence that the proposed location would cause any obstruction to military missions or tests. He noted that the line's location has already been moved to accommodate military needs, and further movement would cause significant expenses to be incurred.

A member stated that the state could not afford to lose the thousands of jobs provided by WSMR in exchange for the estimated 500 jobs that might result from the transmission line project. Mr. Getts stated that SunZia cannot analyze any actual potential impact on WSMR without further facts or evidence of the potential consequences of the project.

Mr. Getts stated that the BLM engages military experts to judge potential impacts of projects like SunZia.

### **Value-Added Agriculture and Economic Development in New Mexico**

Anthony J. Parra, deputy director/secretary, New Mexico Department of Agriculture (NMDA), and David Lucero, director, Marketing and Development Division, NMDA, presented information about two of the NMDA's successful programs: the New Mexico Country Store and the New Mexico green chile promotion program.

The New Mexico Country Store opened its doors in 1993. The purpose of the store is to highlight and promote specialty food industries within the state. New Mexico products are sold in the store, and sampling stations are set up in the store to promote the products. Producers benefit from the opportunity to showcase their products to visitors of the store and at the New Mexico State Fair. An average of 90 New Mexico companies have participated in the store every year, and those companies have featured approximately 500 to 600 products. In addition to sales through the store, producers have also found opportunities to place their products for sale in local markets and national retail grocery stores.

The New Mexico green chile promotion program was established in 2003 and is designed to market New Mexico green chile outside of the state and to help generate higher returns for New Mexico's chile growers. The program has resulted in significant demand for New Mexico chile in California. Californians, like New Mexicans, have found the aroma of roasting green chile irresistible. The program has expanded, and New Mexico chile is now sold in more than 2,200 stores in California, New York, Florida and Canada. An estimated 650 semitrailer truckloads of



fresh green chile will be sold and consumed outside of New Mexico in 2013. The estimated retail value of that chile is approximated at \$21 million.

The NMDA representatives also spoke about the New Mexico dairy export initiative. The state's dairy industry is the state's second-largest agricultural industry, following beef cattle production. Recently, consumers from 11 foreign nations toured New Mexico dairy facilities, and orders were placed for dairy products to be exported to those nations.

### **Questions**

A member asked how many acres of land were included in the New Mexico green chile promotion program and what percentage of that acreage, if any, is hand harvested. Mr. Lucero responded that an estimated 9,000 acres of chile was involved in the program and that an estimated 90% of that yield was mechanically harvested. Another member asked whether the New Mexico green chile promotion program included a focus on chile producers outside of Dona Ana and Luna counties. Mr. Lucero stated that the NMDA serves all of the state's producers, and he noted that small farmers are encouraged to market their products using the NMDA's programs as well.

### **Recess**

The committee recessed for the day at 6:00 p.m.

### **Friday, September 13**

### **Call to Order**

Senator Morales reconvened the meeting at 9:00 a.m.

### **Local Agriculture and Community Economic Development**

Pam Roy, executive director, Farm to Table New Mexico, and Krysten Aguilar, food planning and policy coordinator, La Semilla Food Center, gave a presentation to the committee about the work of their organizations, and they provided samples of produce grown through their farm operations. Ms. Roy discussed the importance of the state's fresh fruit and vegetable producers on the economy of the state. Farm to Table New Mexico receives contributions from both the public and private sectors. The primary goal of the program is to maintain and retain consumption of products and to ensure job growth for New Mexico's farmers and ranchers, which comprise the fourth-largest economic sector in the state. Ninety-seven percent of the food produced in the state is exported out of New Mexico, and the program aims for more of the state's produce to be consumed within the state.

The New Mexico farm to school program has also been implemented with a goal of providing New Mexico-grown fresh produce to schools in the state. To date, the program has fed 240,765 children across 60 public school districts in the state. The program has partnered with the Food and Nutrition Services Bureau of the Human Services Department to deliver food to the schools.

Ms. Aguilar spoke about the work of La Semilla Food Center, which is located in Anthony, New Mexico. La Semilla facilitates a local 14-acre farm plot that was donated by a local community member. La Semilla employs local youths and, using the donated plot, teaches them

about agriculture, nutrition and agricultural economics. The youths grow, harvest and distribute produce. They have installed a drip irrigation system to increase efficiency and to maximize productivity of the land while conserving the limited water supply.

Ms. Roy stated that these programs allow local farmers to gain important training in addition to technical assistance. The program also implements a labeling system, which includes placement of a sticker label that is signed by the farmer on every package of produce that is distributed by the operations. The label is placed on a box of product, and it provides a means for tracking all of the parties involved with the product, and it creates more uniformity in the packaging and shipping processes.

### **Questions**

A member asked whether New Mexico youths are being educated on the fact that farming and ranching can be sustainable careers. Ms. Roy stated that there is a new wave of youths becoming interested in agriculture and that younger generations of New Mexicans are engaging in both farming and ranching, especially with the help of organizations like La Semilla. Ms. Aguilar mentioned that the youths involved with La Semilla are experiencing good returns on the produce that they are selling at local markets. She said that this leads to greater enthusiasm among the youths about potential careers in farming and ranching and in agricultural engagement.

A member asked whether there are any programs that help distribute local produce to the state's correctional facilities and if gardening and farming by inmates has been instituted. The member also asked whether there are any policy issues that might need to be addressed around farming and correctional institutions. Ms. Roy stated that, historically, there were horticulture programs that had been implemented within correctional facilities across the state. She noted that the institutions have land and water rights.

Another member of the committee asked if students who participate in programs such as La Semilla would receive school credit toward graduation. Ms. Aguilar responded that although students who are involved within the program do not receive school credit, they are being compensated for their work through the organization's grant funding.

A member noted that community and regional planning for urban farming programs are facing difficult challenges in marketing their products and asked whether there is any technical assistance that can be provided to them to address this issue. Ms. Aguilar stated that the City of Las Cruces and Dona Ana County both provide technical assistance to urban and regional planners that focuses on gardening and agricultural production in urban areas. The member followed up by stating that perhaps these city or county ordinances could serve as models for other cities and counties across the state to address these issues.

### **Broadband Availability in New Mexico**

Gar Clarke, manager, New Mexico Broadband Working Group, stated that the future of economic development in the state would rely heavily on broadband connections. Mr. Clarke stressed that the agriculture industry in the state today is transitioning to technology by implementing satellite imagery, mechanized irrigation systems and computerized farm equipment. With New Mexico being such a rural state, broadband networks and connections would allow it to

engage more easily in economic development. A broadband executive committee was established to include various members representing different industries, such as health, education and economic development. Mr. Clarke stressed to the committee that the state cannot attract businesses without having broadband connections or networks. If public buildings, such as libraries, were connected to one database, it would make accessibility more efficient for residents.

### **Questions**

A member asked Mr. Clarke how many broadband networks are currently in use across the state. Mr. Clarke responded that there are 105 networks in operation. Another member asked whether the Public Regulation Commission (PRC) is aware of this broadband initiative on which Mr. Clarke is working. He replied that the PRC is aware of the project.

### **New Mexico Aviation Aerospace Association and the Education Alliance**

Bill McMillan, president, New Mexico Aviation Aerospace Association (NMAAA), informed the committee that the NMAAA is working collaboratively with the Veterans' Services Department on promoting and emphasizing the importance and significance of aviation and aerospace in the state. Many aerospace opportunities exist in the state, and in many cases, those opportunities bring employment to veterans. Although Montana is commonly referred to as "Big Sky Country", the New Mexico sky is just as big, and the state's air space presents many opportunities for aviation companies to operate here. There are many foreign countries that are considering investing in New Mexico's potential aviation industry. The industry itself is a major contributor to the state's economy, with an estimated 48,800 related jobs and a \$1.3 billion payroll. With New Mexico being known for its many natural resources and open skies, it makes it very attractive for major companies to relocate here and begin business operations, which would offer many opportunities for economic development in underserved and rural areas.

### **Questions**

A committee member suggested that Mr. McMillan contact the EDD to sponsor the program in order to offer extension services and notifications into Indian country. Mr. McMillan stated that the EDD's participation is going to be crucial for the endorsement of this endeavor at the state level. Also, with aviation and aerospace being the fourth- or fifth-largest industry in the state, it creates economic opportunities for other aviation-based companies to relocate to New Mexico.

### **Adjournment**

There being no further business before the committee, the fourth meeting of the ERDC for the 2013 interim adjourned at 11:45 a.m.

**MINUTES  
of the  
FIFTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**October 10-11, 2013  
Santa Claran Hotel and Casino  
Española, New Mexico**

The fifth meeting of the Economic and Rural Development Committee (ERDC) was called to order at 9:00 a.m. by Senator Howie C. Morales, chair, on Thursday, October 10, 2013, at the Santa Claran Hotel and Casino in Española, New Mexico.

**Present**

Sen. Howie C. Morales, Chair  
Rep. Debbie A. Rodella, Vice Chair  
Sen. Jacob R. Candelaria  
Rep. Ernest H. Chavez  
Rep. Nora Espinoza  
Sen. Ron Griggs (Oct. 10)  
Rep. Yvette Herrell  
Sen. Richard C. Martinez  
Sen. Michael Padilla  
Sen. Pat Woods (Oct. 10)

**Absent**

Rep. George Dodge, Jr.  
Rep. Mary Helen Garcia  
Sen. Phil A. Griego  
Rep. Dianne Miller Hamilton

**Advisory Members**

Sen. Craig W. Brandt  
Sen. Lee S. Cotter  
Rep. Sandra D. Jeff (Oct. 10)  
Rep. Georgene Louis  
Rep. James Roger Madalena (Oct. 10)  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. Nick L. Salazar  
Rep. Monica Youngblood

Rep. Zachary J. Cook  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. Patricia A. Lundstrom  
Sen. Mark Moores  
Sen. Mary Kay Papen  
Rep. Patricia Roybal Caballero  
Rep. James E. Smith  
Rep. Thomas C. Taylor

(Attendance dates are noted for members not present for the entire meeting.)

**Staff**

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)  
Tessa Ryan, Staff Attorney, LCS  
Branden M. Ibarra, Intern, LCS

**Guests**

The guest list is in the meeting file.

## **Handouts**

Copies of all the handouts are in the meeting file.

## **Minutes**

The committee, without objection, approved the minutes of the fourth ERDC meeting.

## **Thursday, October 10**

### **Welcome and Introductions**

Senator Morales welcomed the committee and members of the audience. He announced that there were presenters and others in the audience who would be taking photographs or video footage during the meeting, and he confirmed that there were no objections by the committee. Because the meeting was held in Representative Rodella's and Senator Martinez's districts, they served as co-chairs for the meeting.

### **Welcoming Remarks**

J. Bruce Tafoya, governor, Pueblo of Santa Clara, welcomed the committee to the pueblo's hotel and casino. He noted the Santa Claran Hotel and Casino is an important economic development investment, and despite hard economic times, the pueblo is experiencing economic recovery. Governor Tafoya emphasized some of the economic development obstacles that the pueblo has faced, including wildfires, severe rains and certain interactions with the federal government. He said that the state has assisted the pueblo in its recovery from many of those obstacles, and he expressed gratitude for that assistance.

Governor Tafoya addressed several important issues for the pueblo, including Indian gaming; natural disasters; education; and capital outlay and tribal infrastructure funds, and he provided the committee with a written statement. He specifically addressed the "free play" issue that is central to gaming compact negotiations and emphasized the millions of dollars in gaming revenue sharing that the pueblo pays to the state. On the issue of health care, he added that the pueblo has proposed to develop a health clinic in cooperation with the City of Española, which would reduce travel for pueblo members who currently drive to Santa Fe for health care.

With respect to capital outlay funds and tribal infrastructure funds, Governor Tafoya stated that those funds are critical for the pueblo, and for tribes and pueblos around the state, to assist with developing necessary community infrastructure, such as water, sewer, roads, electricity and telecommunication lines. Lack of such infrastructure contributes to poor quality of life in many tribal communities. He expressed the need for the state to provide for additional funding, including capital outlay, to be used for tribal infrastructure opportunities.

Governor Tafoya closed his remarks by describing his vision for the pueblo and his people, which includes self-determination, sovereignty, culture, traditions and fluency in the Tewa language.

### **Questions**

A committee member asked Governor Tafoya to clarify the pueblo's position on the way free

play was addressed by the Navajo Nation. Governor Tafoya stated that free play is not in his pueblo's compact, and he added that the pueblo believes free play does not constitute money changing hands but is, rather, a casino's offer for a visitor to play for free. Another member noted that compact negotiations are ongoing, and she hoped discussions would continue.

A member asked whether one of the pueblo's priorities is to secure funding to complete the Santa Clara Adult Day Care Center. The governor agreed that the center is a priority and that the pueblo has attempted to secure funding for several years, and this year, the pueblo has prepared and submitted a business plan to the Aging and Long-Term Services Department (ALTSD) in support of the pueblo's request for funding. The committee decided to submit a letter to the Indian Area Agency on Aging within the ALTSD, expressing the committee's support of the funding request.

A member noted that the pueblo's economic development plan should serve as a model for other communities because of its successful diversification of development projects and priorities.

### **The Health and Welfare of New Mexico's Children**

James Jimenez, director of policy, research and advocacy integration, New Mexico Voices for Children, discussed his organization's work on behalf of the state's families and children. He highlighted a new program called "New Mexico Kids Are Counting On Us", which focuses on the welfare of children in New Mexico. He stated that New Mexico ranks fiftieth in the country with respect to child welfare and that there are many problems underlying that ranking that need to be addressed. He made several recommendations to the committee, including reforming tax and budget policies, overseeing Medicaid enrollment and expanding new-mother home visiting programs. He provided copies of New Mexico Voices for Children's policy agenda, which emphasizes the importance of addressing poverty, lack of health insurance and early childhood education.

### **Questions**

A committee member asked for additional information about the home visiting program, and Mr. Jimenez responded that the program provides for a social worker to visit the homes of new parents to provide basic information about nutrition and parenting skills. He emphasized the importance of investing in families to prepare them for better social outcomes, and he explained that, over the long term, such investment would improve the economy of the state.

In response to Mr. Jimenez's statement that enrollment of children in Medicaid is declining, a member asked why the Human Services Department (HSD) has claimed that enrollment among children is rising. Mr. Jimenez stated that the HSD has requested \$17 million less for Medicaid, and his organization is concerned about how the decreased Medicaid funds will be used. He added that outreach is very important because of the rural nature of the state. The member then asked what kind of impact child health and well-being has on New Mexico's ability to attract businesses and economic development opportunities to the state. Mr. Jimenez responded that the state's economic development strategy needs to include investment in people and in education. He stated that Rio Rancho's economic development plan includes a refusal to bring companies into the community unless they pay wages that are equal to or greater than market competitors.

## **Dental Health in New Mexico: Dental Therapist Legislation**

Before the start of this presentation, the committee declined to reverse its earlier decision to allow videotaping of the meeting.

Pamela Blackwell, project director, Oral Health Access, Health Action New Mexico, addressed the state's significant shortage of dental professionals. She noted that the recent expansion of Medicaid could result in increased demand for providers. She said that dental therapists provide high-quality, effective dental care to rural and tribal communities. In many cases, dental therapists are members of the communities in which they serve and are, therefore, culturally competent in addition to being dental health providers. Alaska recently implemented a dental therapist program that has resulted in 40,000 additional Alaskans receiving routine dental care. She emphasized that a dental therapy program would be a great opportunity for the state to improve access to dental care throughout the state.

Ms. Blackwell stated that some New Mexicans have to travel 90 minutes by car to reach the nearest dental health care provider. In order to access dental health care for their children, many New Mexicans have to take time away from their jobs and take their children out of school in order to accommodate a dental appointment, in addition to a commute to and from a dental office. She added that less than one-half of the people in the state receive annual check-ups with a dentist, and many communities have been unsuccessful at recruiting dentists to practice in their communities.

Stephanie Woods, a certified dental health aide therapist, who received her training in New Zealand, testified about her training and her practice in Alaska. She informed the committee that children are in need of education on the importance of brushing their teeth regularly. She recalled a school-based program in which she participated that encouraged children to develop good oral and dental hygiene.

Dezbaa A. Damon-Mallette, D.M.D., a dentist from Gallup, explained for the committee why she supports a dental therapy program. Dr. Damon-Mallette said that she is a member of the Navajo Nation, and she wanted to return to her home after dental school so she could practice in her community. She emphasized the importance of cultural competency in dental health care, the fact that dental therapists have a limited scope of practice and the fact that dental therapists are supervised by dentists.

Mary Altenberg, executive director, Community Dental Services, Inc., stated that in 2008, the state cut dental care-focused funding administered by the Department of Health, and in recent years, the cost of providing dental care to rural and underserved communities has grown immensely. She expressed support for the creation of a dental therapist program and stated that dental therapists would be able to provide certain aspects of dental care in communities without dentists.

Finally, Kristen Christy, executive director, Union County Network, expressed her support for a dental therapy program. She stated that Clayton, her home town, has also struggled to recruit a dentist to that area of the state, and a dental therapist in the community would be welcomed by Clayton's residents.

## Questions

A committee member asked what additional training a dental therapist would need if he or she wanted to practice dentistry. Dr. Damon-Mallette responded that a therapist would need additional training and formal education to become a dentist. The member expressed concern that the New Mexico Dental Association (NMDA) is not supportive of the dental therapy program and recalled that earlier in the year, Health Action New Mexico and the NMDA were asked to meet together to work through issues related to the legislation. Ms. Blackwell stated that the two groups met on May 18, 2013, but they had been unable to schedule subsequent meetings, despite her organization's willingness to meet.

In response to a question about the difference between current mid-level dental providers and dental therapists, Ms. Blackwell stated that there are approximately 33 services that a dental therapist can provide that a dental hygienist cannot provide. A member stated that a diagram showing the levels of dental providers and the differences between their scopes of practices would be a helpful tool for legislators.

Another member thanked the presenters and noted the high-paying jobs that could result from this legislation.

## **The Federal Patient Protection and Affordable Care Act (PPACA) and Maternal Health Care in New Mexico**

Dr. Lee A. Reynis, director, Bureau of Business and Economic Research at the University of New Mexico (UNM), gave a presentation to the committee on maternal health care in New Mexico. Dr. Reynis presented data on maternal care in the state, which included the following statistics:

- the annual number of births in the state has held steady at about 27,000;
- in 2011, 98% of births were hospital births;
- medical doctors attended 66% of the births in 2011, down from 88% in 1990; certified nurse-midwives attended 24%, up from 10.6% in 1990; and licensed midwives attended 4.5%, up from 0.9% in 1990;
- 76% of births were vaginal births, down from 80% in 1997; 23% were by Cesarean sections, up from 17% in 1997, representing a 36% increase; and
- over 50% of babies are born to single women, up from 35% in 1990.

Dr. Reynis informed the committee that the costs of maternal care have been on the rise and will continue to increase. New Mexico has a history of a very low rate of insured residents, and it is currently ranked in the top three states with the lowest number of insured residents. In the individual insurance market, there is little to no maternity coverage, and Medicaid provides full coverage for pregnant women who are at or below 133% of the federal poverty level, but only for pregnancy-related care.

Dr. Reynis stated that the PPACA includes many provisions that increase a woman's access to prenatal care and maternity care and that help cover the costs of labor and delivery. The PPACA requires insurance exchange plans, and new plans in individual and small group markets, to include maternity and well-baby care. In addition, new private plans are required to cover prenatal visits,



many preventive prenatal services and breastfeeding supports, and those plans might not include cost-sharing for those coverages. Regarding New Mexico's decision to expand Medicaid, she noted that millions of low-income mothers will be able to maintain their maternity-related coverage.

Regarding implementation of the PPACA, Dr. Reynis noted that low population density and the expansive geography of the state create difficulties in informing and enrolling New Mexicans in health care plans. She added that the same difficulties exist with respect to access to maternal care in the state.

Dr. Reynis stated that the state has an opportunity to address the issue of burdensome professional liability insurance — an issue that the PPACA did not resolve. She noted that medical malpractice lawsuits related to labor and delivery can be filed many years after delivery, and the high cost of professional liability insurance encourages many providers to leave private practice to become employees of a health organization.

### **Questions**

A committee member echoed Dr. Reynis' comments about Medicaid expansion and a resulting increase in the number of health care-related jobs in the next 10 years.

Another member asked where information on enrollment and outreach could be found. Dr. Reynis said that such information will be available on the state's health insurance exchange web site: [www.bewellnm.com](http://www.bewellnm.com).

### **Native Americans Navigating the New Mexico Health Insurance Exchange**

Roxane Spruce-Bly, a representative of Native American Professional Parent Resources (NAPPR), and Jane Larson, executive director, NAPPR, discussed their work with tribes in connection with health care and the New Mexico Health Insurance Exchange (NMHIX). Ms. Larson stated that in addition to NAPPR's NMHIX-related work, NAPPR also offers services, such as early intervention, information on infant and toddler care and home visitations to Native American children and families. The organization has been in operation for more than 30 years and provides services to families in Bernalillo, Cibola, Sandoval and Valencia counties.

The presenters noted that there are specific provisions in the PPACA that relate to Native Americans. Specifically, they noted that persons who are eligible to receive services from an Indian Health Service provider are exempt from the PPACA's requirement to acquire health coverage. Members of federally recognized tribes who are enrolled in an NMHIX plan, and whose income is at or below 300% of the federal poverty level, are exempt from cost-sharing. Approximately 26,000 Native American persons will be eligible to enroll in an insurance plan through the NMHIX.

Ms. Spruce-Bly reviewed the four levels of plans — platinum, gold, silver and bronze — offered on the NMHIX. She noted that the plans offer the same essential health benefits and quality of coverage, but they differ in the amount of premiums paid and in the percentage of cost-sharing to which an insured will be subject. She emphasized that it is difficult for some consumers to understand that the platinum plan will not offer better coverage and that if they meet certain income levels, they will have access to subsidies that could eliminate out-of-pocket expenses. This

common misunderstanding is something that NMHIX "health care guides" can help to clarify for consumers. Another misunderstanding, Ms. Spruce-Bly noted, is the fact that the Indian Health Service does not provide health insurance coverage, is not a protection against risk and does not guarantee that services, such as cancer treatment, will be covered.

NAPPR will be part of the state's strategy on navigating the NMHIX. At least 30 NAPPR health care guides will work with Native American communities in New Mexico to deliver outreach, education and enrollment information. Ms. Spruce-Bly highlighted the fact that the outreach services would be delivered in the Keres, Dine, Towa, Tiwa, Tewa, Zuni and Jicarilla languages. NAPPR's goals include delivery of outreach and education in the state's Native American communities except for the Navajo Nation, which is working directly with the NMHIX to set up a navigator system by June 30, 2014, and enrollment of 2,660 individuals by June 30, 2014, which number represents 10% of the total number of persons who likely qualify.

### **Questions**

In response to a question about outreach and enrollment, Ms. Spruce-Bly stated that a schedule of NAPPR's service delivery would be posted on a calendar on the NMHIX web site. She added that NAPPR had already begun its outreach work through subcontracts with tribes and that tribes are providing NAPPR with information about their communities' specific outreach and education needs.

Another member suggested that the Legislative Health and Human Services Committee would be interested in hearing NAPPR's presentation.

### **PPACA: Impacts on New Mexico's Economy**

Greg Geisler, analyst, Legislative Finance Committee (LFC), presented some of the economic impacts of the PPACA on New Mexico. He noted that the LFC's analysis shows that PPACA-related revenues, including personal income tax, gross receipts tax and premium tax, outweigh expenditures related to new Medicaid enrollees during the first six years of the program, after which time the state could incur additional costs.

Regarding the impact of the PPACA on the fiscal year (FY) 2014 budget, Mr. Geisler stated that the FY 2014 budget reflects six months of PPACA impact. The total appropriation for FY 2014 was \$4.37 billion, which is an increase of 7.9% over the FY 2013 appropriation. He noted that the major increases in the Medicaid budget include \$19.2 million to replace the expiring tobacco revenue set-aside and \$14.8 million for costs related to the PPACA.

Mr. Geisler also addressed the impact on the FY 2015 budget and highlighted the fact that the total Medicaid budget increased by \$374.3 million, due primarily to Medicaid expansion and an increased amount of Medicaid behavioral health services. He stated that there has been slower enrollment in Medicaid, especially among children, and the HSD has over-projected expenditures partly due to the slow enrollment. He added that the HSD's FY 2015 budget request of \$4.67 billion is approximately \$200 million less than an earlier estimate and forecast. For the past three fiscal years, the HSD has stalled Medicaid growth, and managed care expenditures remained flat from FY 2010 to FY 2013. Mr. Geisler stated that there are questions about the pace of expanded enrollment

and how medical providers will absorb additional Medicaid clients.

### **Questions**

A committee member asked Mr. Geisler what the dollar amount would be if the HSD Medicaid request is 2% less than the previous fiscal year. Mr. Geisler stated that the total budget increased by \$325 million.

### **Liquor Control Act Task Force Update**

Jennifer Anderson, director, Alcohol and Gaming Division (AGD), Regulation and Licensing Department (RLD), and J. Dee Dennis, Jr., superintendent, RLD, spoke to the committee about the outcome of Senate Memorial 77 (2013), which requested the formation of a liquor control task force to assess issues related to liquor licensing and proposed changes to the law and suggested ways to make the liquor control system more user-friendly. Ms. Anderson stated that the task force was being created and, once created, would be meeting throughout the state. Public input from task force meetings would be compiled by the task force.

Superintendent Dennis stated that he hoped the task force would be able to make proposals for changes that would not harm current license holders. For this reason, he said, public input on the issue from the industry as well as from legislators would be an important part of the process.

Ms. Anderson proposed that representatives, or their designees, from various entities be asked to serve on the task force, and she asked for the committee members' input on the proposed list of members. The committee announced no objections to Ms. Anderson's proposal. She noted that representatives from additional interest groups, as they were identified, could be included in the task force. Ms. Anderson added that she and the AGD would keep Ms. Ewing apprised of the dates and locations of task force meetings so that she could keep the committee informed of the task force's work. She stated that the AGD would be glad to make presentation to the committee during the 2014 interim.

### **Questions**

A member stated that he had introduced legislation to try to improve liquor licensing and to remove obstacles for businesses that cannot afford a liquor license, which costs \$300,000 to \$1 million. He added that making improvements to the system is a great opportunity for economic development in the state. He expressed his interest in the task force and said he would like to attend its meetings.

Another member of the committee asked about the number of licenses currently held. Ms. Anderson stated that the state is currently 40% over its own quota system, which provides for one license per 2,000 people. She noted that many licenses were "grandfathered in", and that is part of the reason that the quota has been exceeded. She stated that she hopes to be able to bring legislation during the 2015 session to help correct some of the issues with the system.

### **Recess**

The committee recessed for the day at 4:25 p.m.

## **Friday, October 11**

Representative Rodella reconvened the meeting at 9:20 a.m.

### **Welcoming Remarks**

Alice A. Lucero, mayor, Española, welcomed the committee. She noted that the federal government shutdown and national economic crisis have had significant effects on Española, but the city continues to pursue revitalization projects and other economic development initiatives.

### **Española Public School District Update**

Dr. Daniel Trujillo, superintendent, Española Public School District, provided an update. He stated that there are currently approximately 4,000 students enrolled in the district. The public school buildings are in need of renovations, especially due to the recent heavy rains in the area, and the district's budget has experienced significant cuts in recent years. Dr. Trujillo stated that a new elementary school would serve the needs of the whole community, but it would cost approximately \$17 million to \$21 million to complete. He added that capital improvements are needed throughout the district.

### **County Economic Development: Rio Arriba County**

David Trujillo, assistant county manager, Rio Arriba County, provided the committee with an update on the county's current economic development projects. He stated that the county is losing its young adult population, and he mentioned the county's deficit in available housing and competing enterprises in neighboring counties. He noted that there are currently 12,000 wells in operation in the county, which produce both natural gas and oil. This industry generates \$1.2 million in revenue for the county and provides jobs and other educational programs. He added that Tierra Amarilla is struggling economically due to its lack of infrastructure, and farmers and ranchers are struggling to get their crops and livestock into viable markets. He concluded his presentation by noting that a commercial kitchen in the community would help generate economic growth and development within the county.

### **Economic Development and Deal-Closing Funds: New Mexico**

Gary Tonjes, president, Albuquerque Economic Development, stated that in recent months, the state lost one of the largest job-creation opportunities presented to the state — a multibillion-dollar project that would have created 3,000 construction jobs and more than 2,000 permanent employees — due to a lack of funding and resources. The state's lack of a "job-creation fund" or a "deal-closing fund" is a significant economic issue. Such a fund would hold state funds to be used to secure economic development projects in the state.

Mr. Tonjes stated that companies are looking for capital offered by a state that could be invested into the expansion of their businesses. He noted that critics of the deal-closing fund model have described it as "corporate welfare"; however, large corporations create jobs and help expand economies. Texas' deal-closing fund holds \$250 million, and California has \$500 million in economic development incentives and recently established a deal-closing fund. Mr. Tonjes noted that New Mexico has traditionally used Local Economic Development Act funds to secure bigger projects, but it is very difficult for the state to compete with Texas' and California's deal-closing

funds.

### **Questions**

A member asked Mr. Tonjes his opinion on what in the state's infrastructure is most in need of investment. Mr. Tonjes responded that the state's water infrastructure and transportation are in need of investment.

### **PPACA: Impacts on Higher Education in New Mexico**

Ed Moreno, senior policy analyst, Higher Education Department (HED), and Dr. Vanessa Hawker, director of budget and administration, UNM Health Sciences Center, addressed issues related to higher education and the impact of the PPACA. Mr. Moreno shared Secretary Jose Z. Garcia's regrets at not being available for the meeting due to a scheduling conflict.

Mr. Moreno stated that the HED provides oversight for the higher education system in the state, and he noted that higher education is currently looking at issues related to health care. The HED administers and budgets approximately \$6 million for scholarship and loan-for-service programs that affect students in the health care industry. Among the HED's emphases are education programs that develop the state's health care work force and close the labor-pool gap. Mr. Moreno also expressed support for educational savings plans, which encourage people to save for college education.

Dr. Hawker stated that House Bill 19 (2012) required an electronic survey to be administered statewide to assess the numbers of health care professionals currently practicing in the state. The survey results and data from the LFC show that the state's need for health care professionals is greater than anticipated. She suggested that to increase the number of nurses, the state should expand its nursing programs that are accredited by the National League for Nursing Accrediting Commission or the Commission of Collegiate Nursing Education. She recommended that incentives for hospitals and clinics be developed to increase the number of clinical preceptors.

Dr. Hawker discussed the shortage of primary care physicians and recommended that a multifaceted approach be taken to address the shortage. She discussed the implementation of a loan repayment program and other financial assistance programs to help encourage physicians to practice in underserved areas. In addition, she suggested increasing state-funded primary care physician resident slots in the state.

Finally, Dr. Hawker addressed the shortage of dental professionals in the state and suggested that increasing the funding for students to participate in the Western Interstate Commission for Higher Education (WICHE) program could help support New Mexicans who want to be dentists. She noted that, currently, 92% of WICHE students return to the state.

### **Questions**

A member asked whether UNM would request increased funding in connection with nursing. Dr. Hawker replied that it would and that UNM would like to expand nursing programs. In response to another question, Dr. Hawker confirmed that the state has a shortage of both practicing nurses and nursing faculty. She also stated that loan repayment programs are working

better than loan-for-service programs as incentives in New Mexico.

Another member asked how much it would cost to expand the WICHE program. Mr. Moreno stated that those figures were not yet ready, but he estimated that it could cost over \$2 million.

### **PPACA: Impacts on New Mexico's Work Force**

Joy J. Forehand, deputy secretary, Workforce Solutions Department (WSD), spoke to the committee about the impact of the PPACA on her department. She noted that training and work force development strategies and initiatives in connection with health care have become high priorities since the passage of the PPACA. An increased demand for services, an aging population and an increase in the prevalence of chronic illnesses will also affect the work force in the state. The health care industry employs a wide variety of workers and is currently one of the largest employers in New Mexico.

The WSD currently offers on-the-job training, individual training accounts, apprenticeships and customized training programs. New Mexico currently has more than 400,000 individuals who are eligible for adult basic education services, and the department's "WorkKeys" program offers assistance through education and job-skill development.

### **Questions**

A committee member commented that the kind of services offered by the WSD will be important in addressing the state's shortage of qualified workers. Another member asked whether there are any partnerships among the United States military and military bases in the state and state entities to help encourage hiring unemployed veterans in the state. Deputy Secretary Forehand stated that communication with the military could be initiated to investigate employment opportunities for New Mexicans.

A member asked what kind of coordination the WSD has with other agencies, such as the Department of Health. Deputy Secretary Forehand stated that there is a great opportunity for collaboration, especially with regard to data. She added that the department uses federal guidelines for gathering statistics and data.

### **Adjournment**

There being no further business before the committee, the fifth meeting of the ERDC for the 2013 interim adjourned at 1:00 p.m.

**MINUTES  
of the  
SIXTH MEETING  
of the  
ECONOMIC AND RURAL DEVELOPMENT COMMITTEE**

**December 4, 2013  
Room 322, State Capitol  
Santa Fe**

The sixth meeting of the Economic and Rural Development Committee (ERDC) for the 2013 interim was called to order by Senator Howie C. Morales, chair, on Wednesday, December 4, 2013, at 9:42 a.m. in Room 322 of the State Capitol in Santa Fe.

**Present**

Sen. Howie C. Morales, Chair  
Rep. Ernest H. Chavez  
Rep. George Dodge, Jr.  
Rep. Nora Espinoza  
Rep. Mary Helen Garcia  
Sen. Ron Griggs  
Rep. Dianne Miller Hamilton  
Sen. Richard C. Martinez  
Sen. Michael Padilla  
Sen. Pat Woods

**Advisory Members**

Sen. Lee S. Cotter  
Rep. Sandra D. Jeff  
Rep. Georgene Louis  
Sen. Mary Kay Papen  
Rep. Patricia Roybal Caballero  
Rep. Nick L. Salazar  
Rep. Monica Youngblood

**Guest Legislator**

Rep. Eliseo Lee Alcon

**Absent**

Rep. Debbie A. Rodella, Vice Chair  
Sen. Jacob R. Candelaria  
Sen. Phil A. Griego  
Rep. Yvette Herrell

Sen. Craig W. Brandt  
Rep. Zachary J. Cook  
Sen. Timothy M. Keller  
Sen. Carroll H. Leavell  
Rep. Patricia A. Lundstrom  
Rep. James Roger Madalena  
Sen. Mark Moores  
Sen. John Pinto  
Rep. William "Bill" R. Rehm  
Rep. James E. Smith  
Rep. Thomas C. Taylor

**Staff**

Monica Ewing, Staff Attorney, Legislative Council Service (LCS)  
Tessa Ryan, Staff Attorney, LCS  
Branden Ibarra, Intern, LCS

**Guests**

The guest list is in the meeting file.

**Handouts**

Copies of all handouts are in the meeting file.

**Wednesday, December 4****Welcome and Introductions**

Senator Morales welcomed the committee and members of the audience to the meeting and asked committee members and staff to introduce themselves.

**Liquor Licensing Laws and Economic Development in Rural New Mexico**

John Mulcahy, president and chief executive officer, Roswell-Chaves County Economic Development Corporation, made a presentation to the committee on liquor licensing laws and their effect on rural communities. Representatives from several New Mexico counties accompanied Mr. Mulcahy and expressed opinions on liquor licensing laws.

Mr. Mulcahy informed the committee that there are a limited number of liquor licenses available in the state and that liquor license laws unfairly constrain rural business owners because the majority of the licenses are owned by major corporations, most of the licenses are concentrated in the state's metropolitan areas and the expense of obtaining a liquor license unfairly punishes smaller businesses. Mr. Mulcahy informed the committee that many rural businesses go out of business because of competition with other, larger establishments that are able to sell more liquor at a cheaper price. He suggested liquor license law reform to accomplish three goals:

- maintain the equity value of licenses;
- attract new businesses to rural areas; and
- maintain state rules and regulations.

He also proposed that new legislation separate combined liquor licenses and that new licenses should be issued to all current licensees. The newly issued licenses would be non-transferrable so that the state would retain ownership of the license.

Mike Espiritu, president of the Alamogordo Chamber of Commerce, stated that the current price of obtaining a liquor license is very high. He recommended that the state increase the number of available liquor licenses and lower the cost to obtain a liquor license. He stated that an increased number of licenses would create more competition, which is good for business. Finally, Mr. Espiritu stated that he does not believe that more liquor licenses will contribute to an increase in driving while intoxicated (DWI) offenses.



Eileen Yarborough, executive director of the Cibola Communities Economic Development Foundation, acknowledged that money is an issue in the liquor license reform debate. Ms. Yarborough stated that increasing the number of available liquor licenses in New Mexico might be good economic development policy. However, the fees to obtain a liquor license have steadily increased, which have deterred smaller businesses from obtaining licenses. She stated that it is difficult for small businesses to compete with large corporations that acquire full-service liquor licenses. Ms. Yarborough told committee members that current liquor license laws are an impediment to rural community development in the state.

Myra Pancrazio, representing Torrance, Santa Fe and Bernalillo counties, suggested license reform that would include increasing the number of available liquor licenses. She stated that an increased number of licenses would lead to increased economic development in New Mexico. She added that the state's DWI laws and regulations might also have to be reformed.

Committee members asked questions about and discussed the following issues, and Jennifer Anderson, director of the Alcohol and Gaming Division of the Regulation and Licensing Department, joined in the discussion:

- previous legislative attempts at liquor licensing reform;
- the economic and social costs of reallocating, decreasing or increasing the number of liquor licenses in New Mexico;
- representation of rural communities at meetings discussing transferring out-of-county liquor licenses;
- competition among local and national businesses when national chains acquire liquor licenses;
- the liability of businesses for intoxicated customers;
- balancing the promotion of economic development by increasing liquor licenses with alcohol-related crimes;
- liquor licensing in Indian country;
- alcohol-related illnesses and crimes;
- opportunities for counties to regain licenses that have been transferred out of county;
- satellite liquor licenses;
- groups opposed to increasing the number of available liquor licenses in New Mexico; and
- the risks associated with responsible consumers versus non-responsible consumers.

### **New Mexico Film Office Update**

Nick Maniatis, director of the New Mexico Film Office, updated the committee on film developments in New Mexico. Mr. Maniatis discussed:

- the film production tax credit;
- films shot in New Mexico; and
- television productions in New Mexico, including a filmography of New Mexico beginning in 1987.

Members of the committee asked questions about and discussed:

- recruiting more films to be shot in New Mexico;

- refunds, rebates and payments for films already shot in New Mexico; and
- landowners' rights to films shot in New Mexico.

### **Senate Memorial 40 (2013) Task Force on Real Estate Contracts Report**

Craig Acorn, of counsel for the Colonias Development Council, reported to the committee on behalf of the task force called for in Senate Memorial 40 (SM 40) (2013). Mr. Acorn informed the committee that SM 40 was intended to encourage all parties to real estate contracts to work together to prevent unethical and unfair sales and to curb the proliferation of residential development that lacks critical infrastructure. It was the duty of the task force to study how to provide consumer protections for low-income purchasers of residential real estate through installment contracts.

Mr. Acorn presented recommendations from the task force, including a proposed bill that would afford protection to New Mexicans buying and selling residential property using real estate contracts. Recommendations addressed four key areas.

- **Contract structure:** Real estate contracts should include a full disclosure of terms, descriptions and conditions; rights and responsibilities of all parties and remedies for when any party fails to fulfill contract obligations; mandatory use of escrow services to minimize the risk to all parties; exemptions and exceptions; and equity protection.
- **Recording transactions:** Real estate contracts should be subject to mandatory recording in most cases, which could better enable counties to regulate land use and facilitate infrastructure development and better ensure unclouded titles.
- **Enforcement and remedy:** Real estate contracts should be considered extensions of credit and, therefore, subject to consumer protection provisions enforceable by the Attorney General's Office.
- **Education:** Significant steps should be taken to educate all parties involved in buying and selling real property intended for residential use. Education efforts should come from a variety of sources, including the public, private and not-for-profit sectors.

Mr. Acorn concluded his presentation by stating that task force members recognize that unregulated real estate contracts can harm low-income New Mexicans who are not educated about real property transactions and also can have larger negative implications for New Mexico's development. Finally, Mr. Acorn stated that the task force studied unregulated real estate contracts from all sides in an effort to ensure that such contracts remain a viable option for real property buyers and sellers while minimizing the negative consequences that have been historically observed.

Ric Thom, a representative of Security Escrow Corporation and member of the task force, and Ashley Strauss-Martin, counsel for the Realtors Association of New Mexico, participated in the committee's discussions about the task force's work and its progress.

Committee members asked questions about and discussed:

- the Pajarito Mesa;
- the Colonia of Chaparral;
- the New Mexico Subdivision Act;
- mortgage lending legislation that should address the difficulties of the process;

- the complications of determining original ownership of land and multiple ownership, including accountability and responsibility for activity or inactivity on the land;
- the pros and cons of zoning permits;
- the difficulties of instituting new regulations for professionals and buyers;
- protection of real estate contracts as a tool;
- the concept of real estate contracts as a safety net;
- the need to re-examine real estate contracts from the perspective of unincorporated areas and colonias;
- the level of accessibility of information about real estate contracts;
- the task force's recommendation for mandatory use of escrow services;
- the importance of consumer protections;
- advocacy groups for low-income buyers;
- access to court proceedings for low-income buyers;
- burdens on the real estate industry;
- the importance of real estate contract education;
- the state of colonias in New Mexico;
- enforcement of real estate contracts; and
- remedies for contract violations.

### **Committee-Endorsed Legislation Discussion**

The ERDC considered several draft bills for endorsement.

#### ***202.195130.2***

This bill provides an appropriation of \$207,000 for the operation and maintenance of a regional adult daycare center in the Pueblo of Santa Clara. Several proponents of the bill and representatives of the Pueblo of Santa Clara spoke in support of the bill and stressed the importance of the services provided by the daycare center. The committee endorsed the bill by majority vote and agreed that Representative Rodella would sponsor the bill.

#### ***202.195062.1***

This bill provides an appropriation of \$350,000 to the Local Government Division of the Department of Finance and Administration to support a project to accelerate the growth of the state's food entrepreneurs by working with rural communities to develop food assets and create a cohesive statewide food infrastructure. The committee endorsed the bill by vote and agreed that Representative Chavez would sponsor the bill.

#### ***202.195171.1***

This bill provides an appropriation of \$250,000 to the Higher Education Department to provide assistance to dental students participating in the Western Interstate Commission for Higher Education program. The committee voted to endorse the bill with an amendment that changed the amount of the appropriation from \$250,000 to \$400,000. The committee agreed that Senator Padilla would sponsor the bill.

#### ***202.195104.3***

This bill creates an interim legislative nonprofit organizations work group and provides an appropriation of \$150,000 to the LCS for the operation of the work group. After a short discussion, the ERDC chose not to endorse the bill.

**Adjournment**

There being no further business before the committee, the sixth meeting of the ERDC for the 2013 interim adjourned at 1:30 p.m.

# **Committee-Endorsed Legislation**